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Performance Measurement System Needs Long-Term Stability and Commitment to Maximize Effectiveness

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EXECUTIVE SUMMARY

PURPOSE

Pursuant to Public Law 93-198, Section 455, and D.C. Law 11-16, Section 2, the District of Columbia Auditor conducted an audit of performance measures used by District of Columbia government agencies to meet the requirements of the Government Managers Accountability Amendment Act of 1995.

CONCLUSION

The District's performance measurement system is in a state of transition as a new administration implements changes in performance management and accountability. The administration has infused the performance measurement system with clearer direction and made performance accountability a high priority. Performance measures are more relevant, having been tied to key objectives and initiatives of each agency. Another important step forward has been an increase in public information and transparency, reflected in the establishment of a performance measurement web site with a wealth of information. The executive branch is also expanding the use of customer surveys to involve residents in assessing performance—an important and more objective supplement to data reported by the agencies.

At the same time, the current system falls short of best practices in a number of ways. The Auditor commends the executive branch for seeking to focus the performance measurement system on key indicators, but observes that very large agencies such as the Metropolitan Police Department, the D.C. Public Schools, and the Department of Health probably require more measures than the 10 to 12 key indicators that the administration has recommended as a guideline for all agencies. Agency performance measurement systems also omit some high-priority indicators such as wages and job retention for training program participants, and the percentage of elementary and secondary school students attaining proficiency in English and mathematics. Although data on these indicators are tracked by the relevant agencies, the Auditor believes that key outcomes should be highlighted in agency performance plans and reports.

Greater stability in performance measures is also needed to facilitate the tracking of trends in performance. One particularly troubling statistic was that only one of the 39 performance measures in DOH's FY 2006 performance plan was still being used two years later, limiting the ability of policymakers and residents to monitor trends in health outcomes over time. Additional challenges include quality control and data verification, and integrating performance measurement into the functions of planning, managing, and budgeting.

MAJOR FINDINGS

1. The New Administration Has Infused the Performance Measurement System with Clearer Direction and Made Performance Measurement Accountability a Higher Priority
2. The Performance Measures Used in the District Are Not Sufficiently Outcome-oriented, and Fall Short of Best Practices in Terms of Clarity, Balance, and Stability
3. The Performance Measurement System Would Benefit from Increased Employee Training and Technical Assistance
4. Promising Efforts Are Underway to Make Greater Use of Independent, External Assessments of Performance
5. Performance Targets Have Become More Ambitious, but There Is Room for Additional Improvement
6. Quality Control and Data Verification Remain Significant Shortcomings That Threaten the Integrity of the Performance Measurement System
7. The Executive Branch Has Made the Performance Measurement System More Transparent and Informative, but the Format for Annual Performance Reporting Is a Limiting Factor
8. The District Government Still Faces the Challenge of Using Performance Measurement as a Tool for Better Management and Operations

MAJOR RECOMMENDATIONS

1. The Mayor and Council, as well as appointed senior management officials in the District government, must sustain their commitment to performance measurement as a valuable tool for government decision-making. Otherwise, agencies will not invest the time and resources needed to devise and implement performance measurement systems that report the results of government programs and services in an accurate and timely manner.

2. Agency managers should improve the validity, reliability, significance, and balance of their performance measures by adopting measures published by national professional associations such as the International City-County Management Association, the Government Finance Officers Association, and the American Public Health Association. Agencies should also review the performance measures used by similar agencies in neighboring jurisdictions to identify useful outcome measures whose results can be compared. The Office of the City Administrator should assist agencies in these efforts.
3. Agency directors and their senior managers should begin implementing efficiency measures, drawing on the hundreds of efficiency measures that have been developed in agency strategic business plans, as a way to show how well they are using resources and provide useful information for the annual budgeting process. Efficiency measures would be particularly useful for the largest programs within an agency and those that provide high-priority services to the public. The Office of Budget and Planning should help agencies develop the necessary data collection methods and calculations.
4. The Mayor, City Administrator, and Council must ensure that agencies submit performance plans that cover all significant programs and activities. At a minimum, agency heads and their managers should establish performance measures for all programs defined in the performance-based budgeting structure.
5. The City Administrator and the governing bodies for independent agencies should require agency personnel under their supervision to collect and report data for all of the performance measures included in annual performance plans. To hold agency personnel accountable for collecting and reporting data, the City Administrator and independent governing bodies should regard a performance goal as not met if an agency fails to collect and report data for that measure. This policy would give agencies an incentive to invest more time and attention in designing and selecting appropriate performance measures.
6. The City Administrator and the governing bodies for independent agencies should require agencies to justify and receive written approval to change performance measures and goals, in order to promote accountability for results and ensure that trends can be tracked over time. To prevent the gaps in performance reporting that arise from frequent shifts in performance measures, the Office of the City Administrator and the governing bodies for independent agencies should require agency personnel to collect data on a new measure for at least one year until the old measure is fully phased out.

7. The Office of the City Administrator should provide technical assistance and coordinate training for agency staff involved in setting performance goals, tracking performance, and reporting results. A particular focus of technical assistance and training, which could rely on external sources such as local universities, should be helping agencies develop more outcome-oriented measures of performance and set more meaningful performance targets.
8. The inter-agency Performance Management Council should be revived to serve as a forum for technical assistance, allowing agencies with solid performance measurement systems to provide additional assistance and guidance to other agencies.
9. The Office of the City Administrator, with the assistance of the Office of the Chief Financial Officer, should publish a comprehensive and user-friendly guidebook to performance management in the District government, similar to Fairfax County Measures Up: A Manual for Performance Measurement, now in its Tenth Edition.
10. The Department of Human Resources' Workforce Development Administration should establish a training class dedicated exclusively to performance measurement, supplementing the class presently offered in performance-based budgeting. Training in performance measurement should be made part of the mandatory annual training in management and supervisory skills required for employees who are part of the Management Supervisory Service.
11. Agencies should continue expanding their use of performance measures that provide external assessments of performance by independent, objective individuals or groups. In particular, agencies should expand their use of resident or customer surveys, as well as trained observer ratings, in order to increase the integrity of the performance data and draw on information from multiple sources.
12. Agencies should set ambitious but achievable performance targets by examining trends in past performance, the performance levels attained in other jurisdictions (particularly in other urban or regional jurisdictions), performance standards set by relevant professional associations, and standards set by federal or local law. In addition, agencies should cease the practice of setting performance targets that are lower than actual performance in prior years, unless there is a compelling rationale such as a substantial reduction in funding.

13. The City Administrator should establish and enforce quality control and data verification standards for the District government's performance system. The standards of quality control should require agencies to define each performance measure, describe the source of the data, identify who collected and recorded the data, document the timing of the data collection, and state how the summary statistics were calculated. Agencies should retain adequate documentation for all performance data included in annual performance reports.
14. The City Administrator and the governing boards of independent agencies should require agency directors to state in writing that they have reviewed the data in their annual performance reports and certify the accuracy of the data.
15. Agency performance reports with measures that show changes on a percentage basis should also include the original and new levels of performance to allow policymakers and residents to interpret the impact of the percentage change.
16. The Mayor and City Administrator should develop a separate format for reporting performance information that allows the Mayor to present performance highlights, display data in forms that are user-friendly and understandable to the public, and explain the reasons for performance results. Although it is useful to include performance information in the District's budget documents, the budget should not be the sole format for presenting performance data because the scope of information that can be included is too limited. The annual New York City Mayor's Management Report and Prince William County's annual Service Efforts and Accomplishments Report offer useful models for detailed reporting and discussion of performance trends that promote accountability and inform the public.
17. The Mayor, City Administrator, Council, and Chief Financial Officer should require agency heads to justify all budget increase requests in terms of explicit performance outcomes. Independent agency heads should adopt the Mayor and City Administrator's policy of linking individual employee evaluations to agency performance goals.
18. The Mayor and Council should review the performance-based budgeting law to determine the appropriate role that strategic planning and performance-based budgets will play in the District's performance management system.

PURPOSE

Pursuant to Public Law 93-198, Section 455, and D.C. Law 11-16, Section 2, the District of Columbia Auditor conducted an audit of performance measures used by District of Columbia government agencies to meet the requirements of the Government Managers Accountability Amendment Act of 1995.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of the audit was to assess the extent to which the District of Columbia government's performance measurement¹ system reflects best practices identified by researchers and practitioners. The performance measurement system is mandated by D.C. Law 11-16, the "Government Managers Accountability Amendment Act of 1995," (GMAA), which also requires that, "The Office of the District of Columbia Auditor shall conduct an audit of selected performance measures presented in performance reports of certain agencies each fiscal year (see D.C. Official Code § 1-614.14(c))." The Auditor is fulfilling the requirement to audit selected performance measures through this report on best practices and a separate report on GMAA compliance.²

The scope of the audit included a review of the fiscal year (FY) 2006 and FY 2007 performance reports, as well as the FY 2007 and FY 2008 performance plans for six sample agencies. At the direction of the City Administrator, five of the six sample agencies revised the original FY 2008 performance plans that were transmitted to the Council in March 2007 (as did all other agencies under the Mayor's authority). This audit reviewed both the initial FY 2008 plans and the revised FY 2008 plans. The six sample agencies are as follows:

- Office of the Chief Financial Officer (OCFO);
- Department of Employment Services (DOES);
- Metropolitan Police Department (MPD);
- D.C. Public Schools (DCPS);

¹The International City/County Management Association defines performance measurement as "collecting data in a systematic and objective manner to determine the efficiency and effectiveness of service delivery and program objectives." See International City/County Management Association, Performance Management: When Results Matter (Washington, D.C.: International City/County Management Association, 2004), p. x.

²The companion report is entitled, "Compliance with the Government Managers Accountability Amendment Act of 1995 Has Been Incomplete and Inconsistent."

- Department of Health (DOH); and
- Department of Public Works (DPW).

The Auditor established this sample by selecting the agency with the largest locally-funded budget³ within each of six appropriation titles in the District of Columbia's annual operating budget.⁴ The sample includes some of the most important agencies providing direct services to the public (such as MPD, DCPS, and DPW), as well as an internal services agency (OCFO). Additionally, the sample includes agencies that report to the Mayor (DOES, MPD, DOH, and DPW), an independent agency (OCFO), and an agency (DCPS) that was independent until June 2007, when control of the school system was transferred to the Mayor.⁵ The Auditor determined that the six agencies reviewed (hereafter referred to as the "sample agencies") represent a good cross-section of the District of Columbia government because of the variation described above.

To accomplish the audit objective, the Auditor performed a range of background research and field work, in addition to reviewing the FY 2006 and FY 2007 performance reports, and the FY 2007 and FY 2008 performance plans. First, the Auditor reviewed the provisions of the GMAA and other statutes affecting performance measurement and accountability in the District of Columbia. Second, the Auditor reviewed the academic literature on performance measurement and accountability, as well as written materials from public agencies in other jurisdictions, to identify exemplary practices. Third, the Auditor reviewed prior audit work on performance measurement in the District of Columbia to build on previous findings. Fourth, the Auditor interviewed officials from the Office of the City Administrator (OCA) and the six agencies to gain their perspectives on the development

³The locally-funded budget refers to the portion of an agency's operating budget generated by taxes, fines, and fees collected by the District of Columbia government that is not earmarked for particular purposes. The locally-funded budget excludes federal grants, special purpose revenue (revenue that is legally restricted to certain purposes), intra-district funds (funds transferred from one agency to another as payment for services), and private grants. See Government of the District of Columbia, FY 2008 Proposed Budget and Financial Plan, Volume 1, Executive Summary (June 2007), pp. 3-1 to 3-11.

⁴There are eight appropriation titles in the District of Columbia's annual operating budget, but the Auditor did not select an agency from two titles, "Financing and Other" and "Enterprise and Other Funds," because these titles consist largely of funds (such as "Repayment of Loans and Interest" or the "Unemployment Compensation Fund") that were established for budgeting or accounting purposes. In many cases, these funds are managed by one of the sample agencies, such as the Office of the Chief Financial Officer. The sample includes one agency from each of the following appropriation titles: Government Direction and Support, Economic Development and Regulation, Public Safety and Justice, Public Education, Human Support Services, and Public Works.

⁵D.C. Law 17-9, the "Public Education Reform Amendment Act of 2007," which transferred authority over the school system from the Board of Education to the Mayor, took effect on June 12, 2007.

and implementation of the performance measures, plans, and reports. Finally, the Auditor reviewed comments on a draft report provided by the OCA and the OCFO, and made revisions that the Auditor deemed appropriate. The comments on the draft report are attached at the end of this report.

BACKGROUND

The Government Managers Accountability Amendment Act of 1995

The GMAA took effect as D.C. Law 11-16 on May 16, 1995, and is now codified in § 1-614.11 through § 1-614.14 of the D.C. Official Code. The GMAA mandates that all District of Columbia government agencies transmit to the Council a performance plan for the next fiscal year and a performance report for the prior fiscal year. Although the GMAA has been amended, its original framework remains largely unchanged and includes the following requirements:

1. Each agency of the District of Columbia shall develop and submit to the Council a performance plan for the next fiscal year that covers all publicly-funded activities of the agency. The performance plans shall be submitted at the time the Mayor transmits the annual budget to the Council.
2. Agency performance plans shall include a mission statement and objectives, as well as a strategic description of how the agency's mission and goals shall be accomplished.
3. Agency performance plans shall state measurable, objective performance goals for all significant activities, including activities supported in whole or in part by public funds, but performed in whole or in part by another public or private entity.
4. For each agency and major program covered by the performance plan, there shall be one or more measures of performance that address both quantity and quality. The performance measures may include program outputs and activity levels, but should also include measures of program outcomes and results.
5. The performance plan shall state the name and position of the management employee or employees most directly responsible for the achievement of each performance measure, and the immediate supervisor or superior of the management employee or employees.

6. Not later than January 15th every year, each District of Columbia government agency shall develop and submit to the Council a performance report for the prior fiscal year that covers all major programs of the agency. The performance report shall indicate, for each performance measure stated in the performance plan for that year, the actual level of performance compared to the stated goal for performance.
7. The performance report shall state the name and position of the management employee or employees most directly responsible for the achievement of each performance measure, and the immediate supervisor or superior of the management employee or employees.
8. The District of Columbia Auditor shall conduct an audit of selected performance measures presented in performance reports of certain agencies each fiscal year.

Other Statutes Affecting Performance Measurement and Accountability

Although this examination reflects the Auditor's statutory mandate to review performance measures and agency performance reports submitted pursuant to the GMAA, the Auditor examined other relevant statutes in order to understand the whole body of law concerning performance measurement in the District of Columbia. The Auditor reviewed (1) Public Law (P.L.) 103-373, the "Federal Payment Reauthorization Act of 1994," which was enacted by the U.S. Congress as an amendment to the D.C. Home Rule Act, and (2) the "Performance and Financial Accountability Act of 2001," which was enacted by the Council as Title XLV of D.C. Law 14-28, the "Fiscal Year 2002 Budget Support Act of 2001."

P.L. 103-373, the "Federal Payment Reauthorization Act of 1994," added a new section 456 to the D.C. Home Rule Act, entitled "Performance and Financial Accountability." The performance accountability sections, which are codified in § 1-204.56a and § 1-204.56b of the D.C. Official Code, require the D.C. government to submit to the Congress an annual performance plan and report covering each agency. This language has been amended several times, and is now almost identical to the GMAA. Besides mandating the submission of plans and reports to Congress, P.L. 103-373 requires the D.C. government to provide information about programs that are subject to a court order,⁶ and directs the U.S. Comptroller General to review and evaluate each annual performance report.

⁶In the annual performance plan, the District government must describe the programs that are subject to a court order and the requirements that are imposed by the court. In the annual performance report, the District government must outline the steps that agencies have taken to comply with each court order. See D.C. Official Code §§ 1-204.56a(c) and 1-204.56b(b)(3).

The “Performance and Financial Accountability Act of 2001,” which was part of omnibus budget legislation, mandated the development and implementation of a performance-based budgeting (PBB) system. The PBB requirements, which now apply to all D.C. government agencies, are found in § 47-308.01 to § 47-308.03 of the D.C. Official Code. A performance-based budget is defined as “a budget presentation consisting of agency programs, estimated total program and activity costs, as well as full-time equivalents for the current and next fiscal year; agency strategic result goals; an overview describing the activities within each program; estimated program costs; and program performance measures.”⁷

Although the PBB provisions are consistent with the GMAA, the two statutes use different terminology. The PBB law calls for “strategic result goals” and “relevant performance measures” that reflect the results an agency will produce, the outputs or services the agency will provide, the demand for services, and the efficiency of the agency in delivering results, outputs, and services. These requirements are compatible with the GMAA’s emphasis on multiple measures that show program results or outcomes. The PBB law also requires agencies to present “strategic business plans.” Even though “strategic business plan” is not defined in the statute, the plans could outline an agency’s mission statement and objectives, and explain how the agency will fulfill its mission and goals, as required by the GMAA.

Best Practices in Performance Measurement and Accountability

To establish a basis for evaluating the District’s performance measurement system, the Auditor reviewed best practices identified by academic experts, researchers, and practitioners in the field. The sources that were reviewed are listed in Appendix A.

Ideally, performance measurement is a tool for setting goals, tracking results, identifying and correcting gaps in performance, informing budget decisions, and promoting accountability. Otherwise, performance measurement is a pointless exercise in bureaucratic compliance. As Blaine Liner and colleagues state in Making Results-Based State Government Work, “The key to the success of any governing-for-results process is for public officials in both the executive branch and legislature to use the information when making decisions on resources, programs, and policies.”⁸

⁷See D.C. Official Code § 47-308.01(a)(3).

⁸Blaine Liner, Harry Hatry, Elisa Vinson, Ryan Allen, Pat Dusenbury, Scott Bryant, and Ron Snell, Making Results-Based State Government Work (Washington, D.C.: The Urban Institute, 2001), p. 45.

The commitment and direction of the chief executive, agency directors, and other senior staff is essential in motivating managers and staff to devote the time and attention needed to make performance measurement meaningful. Additionally, performance measurement can be threatening because of its potential to expose performance deficiencies; therefore, the commitment from high-level officials that performance measurement and accountability will be taken seriously and implemented fairly is very important. As Harry Hatry states in Performance Measurement: Getting Results:

High-level support is needed for two crucial purposes. The first is to secure a commitment of adequate time and resources to develop, implement, and operate the performance measurement process. The second is to help increase official interest in the performance management work and increase the likelihood that the resulting performance information will be used.⁹

To assist government officials in decision-making and daily operations, a performance measurement system must tell them what was achieved, how efficiently work was done, and how residents were helped by a particular program or activity. Experts agree that a performance measurement system that supports decision-making is built upon *outcome* measures (also called result measures). Outcome measures capture how people benefit from a program or service – the consequences or results “that occur outside the program.”¹⁰

Although the need for outcome measures may seem obvious, the failure of government performance measurement systems to emphasize outcomes has been one of the most common deficiencies. Outcomes are often complex and difficult to define, measure, and monitor. Instead, many public agencies have tracked and reported *output* measures – the number of goods and services the agency provides or produces. Although output measures are important for management purposes, they do not capture the most critical aspect of performance: how residents benefit from the agency’s programs or activities.

⁹Harry P. Hatry, Performance Measurement: Getting Results, Second Edition (Washington, D.C.: The Urban Institute Press, 2006), p. 32.

¹⁰This characterization of outcomes as results “that occur outside the program” is found in Liner, Hatry, Vinson, et. al., p. 64.

Performance measures can be classified as follows:

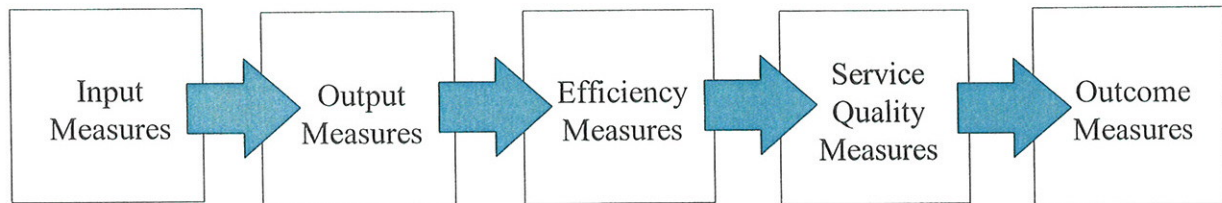
- input measures show the amount of resources used, such as dollars or full-time equivalent (FTE) personnel.
- output measures show the amount or level of goods produced or services delivered, such as the number of library books circulated or the number of people receiving job training.
- efficiency measures show the relationship between the work performed and the amount of resources used to perform it. Efficiency measures can show the amount of output produced per unit of input, such as the number of library books circulated per FTE, or the number of people trained per \$100 spent. Conversely, efficiency measures can show the amount of inputs used per unit of output, such as the cost per library book circulated or the cost per person trained.
- service quality measures reflect the quality of the goods produced or services provided, such as the percentage of library books that are less than five years old, or the percentage of job training participants who rate the quality of the training as good or excellent.¹¹
- outcome measures, which reflect the consequences or benefits that result from a program or activity, such as the percentage of library patrons finding the books they need, or the employment and wage rates for participants who completed a job training program.

As depicted in Chart 1 on the next page, the five types of measures can be viewed as a continuum. The input and outcome measures shown on the left-hand side of the chart answer questions of “how many” – how many dollars the government is spending, or how many goods or services the government is delivering. The efficiency, service quality, and outcome measures shown in the middle and on the right-hand side address questions of “how well” – how well the government is using resources, and how well public goods and services are meeting people’s needs. Since performance is fundamentally a question of “how well” the government is doing, policymakers

¹¹In Performance Measurement: Getting Results, Harry Hatry refers to service quality measures as “intermediate outcomes.” Although Hatry notes that quality measures describe the output (the good or service produced) and not the outcome of the good or service, he states that, “If a characteristic is expected to be important to customers, it is better to consider it an intermediate outcome, not an output” (p. 19). Regardless of the terminology used, performance measures should be viewed as a continuum stretching from inputs at one end to outcomes at the other end.

should move beyond the input and output measures that have traditionally been tracked and reported, and instead focus on the efficiency, service quality, and outcome measures that reflect performance.

Chart 1: A Continuum of Performance Measures



Although outcome measures provide the most valuable information by showing the ultimate effects of a program or service, they will not always be readily available (or they may be too expensive or time-consuming to collect). Furthermore, efficiency and service quality measures provide important information to decision-makers and to the public. Therefore, performance measurement systems should include a mix of efficiency, quality, and outcome measures, while incorporating outcome measures to the extent possible.

Outcome-oriented measures are a necessary, but not sufficient condition for a strong performance measurement system. Based on the research literature, the Auditor has identified a number of other characteristics of effective performance measures and an effective performance measurement system. Effective performance measures should be:

- valid, which means that the measures capture the aspects of a program or service that they are intended to measure;
- reliable, which means that the measures provide a consistent reading of performance, regardless of the person who takes the measurement or the instrument used to measure performance;
- significant, meaning that the measures are logically and closely related to the agency or program's goals, objectives, and functions;¹²

¹²Fairfax County's Department of Management and Budget offers good advice on choosing significant measures in Fairfax County Measures Up: A Manual for Performance Measurement (Tenth Edition, 2006). The manual recommends measuring activities that absorb a large portion of the budget; are key to fulfilling the agency's mission; have a significant customer service focus; or are politically sensitive or frequently in the spotlight (p. 15).

- clear, meaning that the measures are free of technical terms and jargon;
- fair, meaning that the measures reflect outcomes that public managers and employees can control or influence;
- feasible, meaning that the data required for each measure are available without unreasonable cost or effort;
- balanced, meaning that the measures cover major programs and activities while remaining selective and focused, and avoid perverse incentives by highlighting certain aspects of performance at the expense of other important objectives;¹³ and
- stable, meaning that there is sufficient consistency in the measures to track performance over time and promote accountability for results.

Of course, strong performance measures do not generate themselves. An effective performance measurement system relies on the skills and commitment of employees who are involved in choosing and defining the measures, and in building the support systems needed to collect, report, use, and interpret the data. Employee training and technical assistance are needed on an ongoing basis for supervisors and front-line employees to understand performance measurement and how it will be implemented.

Experts in performance measurement also emphasize the importance of multiple sources and types of data to create a balanced picture of performance. To the extent possible, agencies should use not only internal records (manual and electronic), but also customer surveys and trained observer ratings¹⁴ to measure performance. By gathering data from external sources and allowing for more detailed and extensive measurements, both customer surveys and trained observer ratings can significantly increase the validity and integrity of a performance measurement system.

¹³One of the most common examples of a perverse incentive is when an agency uses performance measures that reflect speed, which can reduce the emphasis on quality of service. Another example is when an agency waters down the quality of a service in an attempt to reduce the cost per client.

¹⁴Trained observer ratings are defined as “performance measures based on observations by non-experts who use written and pictorial guidelines to produce consistent ratings of service quality.” See Donald Giancoli, “Seeing is Believing: The Use of Trained Observer Ratings for Performance Measurement,” Government Finance Review, October 2002, pp. 18-23.

Setting performance targets is also a critical task, requiring public officials to set goals that are ambitious but still achievable. To establish challenging but nevertheless realistic targets, government officials should examine the past performance of their own programs and agencies, as well as professional or national standards (often published by professional associations), the performance levels reached by local or comparable jurisdictions, or performance mandates set out in federal or local law.

Quality control and data verification are needed to ensure the integrity of the performance measurement system. Public managers must document how a measure is defined, how the data are collected, and how the accuracy of the data is ensured and protected. Each agency should be able to explain how a performance result was calculated and to provide the raw data used in the calculation. When possible, external spot checks of the accuracy of the data should be performed.

Finally, performance results must be reported not only to elected officials and senior managers, but also to the public. A fundamental purpose of performance measurement is to inform residents about the achievements of public programs and activities. Governments should report performance information on a regular and timely basis, in clear terms and formats that make the data readily understandable, and should make the information available through several channels including the Internet.

Experts in performance measurement recommend that performance reports should not only provide the relevant data, but should also discuss and explain at least some of the key outcomes. As Liner and colleagues state in Making Results-Based State Government Work, “Performance information seldom, if ever, tells why a particular result occurred ... State governments should encourage their agencies to provide explanatory information along with their performance reports. Such information is particularly needed where data indicate worse-than-anticipated outcomes.”¹⁵ Explanatory information provides important context for the performance data and contributes to the public discussion about how to raise performance. Moreover, a discussion of performance outcomes and trends creates the kind of transparency that builds public engagement and confidence.

¹⁵Liner, Hatry, and Vinson, et. al., p. 48.

Prior Audit Work on Performance Measurement and Accountability in the District of Columbia

The Auditor reviewed prior reports and studies on performance measurement and accountability in the District of Columbia in order to gain historical perspective on the District government's performance measurement system, and to build on the findings of prior audit work. The reports and studies, which were published between 2001 and 2006, are listed in Appendix B.

Both the U.S. General Accounting Office¹⁶ (GAO) and the D.C. Office of the Inspector General (OIG) found that the District's performance measurement system had improved significantly in recent years. For example, the GAO stated in a July 2004 report that, "The District has made steady progress over the past 5 years in implementing a more results-oriented approach to management and accountability and issuing timely and more complete performance reports."¹⁷ Similarly, in its March 2006 report, the OIG stated that, "The District's performance measurement system has vastly improved from its beginnings more than 5 years ago."¹⁸

Nevertheless, the Auditor finds cause for concern in the findings of prior reports on the District's performance measurement and accountability system. In particular, the following deficiencies were repeatedly cited in external reports:

- The District's performance measurement policies and procedures are not clearly documented or transmitted to agencies in a concise, comprehensive format, reflecting an overall lack of centralized guidance and direction.
- Oversight by agencies such as the OCA and the Office of Budget and Planning tends to emphasize compliance and the timely submission of reports, rather than the use of performance data to identify performance gaps, highlight accomplishments, and provide useful information to decision makers.

¹⁶Effective July 7, 2004, the "U.S. General Accounting Office" changed its name to the "U.S. Government Accountability Office." The Auditor has used the former name when discussing audit reports that were issued before the name change.

¹⁷U.S. General Accounting Office, District of Columbia: FY 2003 Performance Report Shows Continued Improvements, (GAO-04-940R, July 2004), p. 6.

¹⁸Office of the Inspector General, Audit of Selected District Agency Key Result Measures, (OIG Report No. 05-1-06MA(b), August 2006), p. 2.

- The District fails to validate its performance measures or to verify the performance results reported by agencies. Agencies often fail to create sufficient internal controls to guarantee the integrity of performance data. Supporting documentation and audit trails are frequently lacking.
- Performance measures frequently focus on outputs – the quantities of goods or services that agencies provide – rather than outcomes that reflect the speed, quality, or effectiveness of services provided to the public. Performance measures and targets are frequently modified, limiting the ability of policymakers to hold agency staff accountable for results and reducing the transparency of the performance measurement system to the public.
- The performance measurement system needs to be more closely linked to strategic planning and budgeting.

The Auditor drew on this historical perspective in conducting the analysis and field work described in this report.

FINDINGS

The District's performance measurement system is in a state of transition as a new administration implements changes in performance management and accountability. The administration has infused the performance measurement system with clearer direction and made performance accountability a high priority. Performance measures are more relevant, having been tied to key objectives and initiatives of each agency, although there has been a reduction in the scope of the measures. Another important step forward has been an increase in public information and transparency, reflected in the establishment of a performance measurement web site with a wealth of information. Nevertheless, there are a number of ways that the current system falls short of best practices, such as the lack of stability and balance in some agency performance measurement systems. Moreover, the task of making performance measurement into an important tool for planning, managing, and budgeting remains to be fulfilled. Specific findings are detailed below.

THE NEW ADMINISTRATION HAS INFUSED THE PERFORMANCE MEASUREMENT SYSTEM WITH CLEARER DIRECTION AND MADE PERFORMANCE MEASUREMENT ACCOUNTABILITY A HIGHER PRIORITY

The Auditor found that performance measurement in the District has long been hampered by a lack of high-level commitment, guidance, and supervision. In examining performance plans and reports for the sample agencies, the Auditor noted that many performance measures were poorly designed, focusing on outputs and bureaucratic processes rather than important outcomes; that performance measures were frequently changed; and that results for many measures were often not reported at the end of the year. As noted earlier, prior audit reports repeatedly identified similar deficiencies, such as the lack of quality control and data verification, the frequent changing of performance measures and targets, and the failure of some agencies to submit performance plans and reports as required by law.

Commenting on the lack of strong management and oversight, a group of George Washington University graduate students who reviewed the District's performance measurement system in late 2006 concluded that, "Accountability is limited to administrative aspects of performance management, such as reporting (Key Result Measures) and updating Strategic Business Plans and documents for the budget book. However, these oversight activities fail to address accountability or consequences for content, quality, and use of performance measures to support agency and District

strategic goals.”¹⁹ Similarly, a document prepared for the December 2006 meeting of the Performance Measurement Council, which outlined four recommendations to then-Mayor-elect Fenty’s transition team, emphasized the need to provide centralized direction, guidance, and support to agencies.²⁰

The Auditor found that the new administration has significantly increased the amount of centralized direction, guidance, and support to agencies since taking office in January 2007, and has infused the performance measurement system with a stronger sense of purpose. In June 2007, the Fenty administration issued new guidelines for agency performance plans and required agencies under the Mayor’s authority to revise their FY 2008 performance plans in accordance with the guidelines.²¹ This was the first issuance of formal policy guidance on performance measurement in years, according to the Auditor’s research and interviews.²² In particular, the administration sought to reduce the number of performance measures to make the performance measurement system a more focused and efficient tool for better management. The revised FY 2008 plans describe each agency’s mission statement, and three to five objectives that describe the long-range goals that will enable the agency to fulfill its mission.²³ In turn, each objective is linked to one to three initiatives outlining new policy or program features that are “new, better, or different,” and are intended to enhance agency performance.²⁴ Finally, agencies were instructed to designate approximately 10 performance measures, called “Key Performance Indicators,” that reflect the agency’s efforts to achieve its objectives and include a mix of outcome, effectiveness, efficiency, demand, and output measures.

¹⁹Dana Breil, Joanna Choi, Douglas Goodwin, Nick Sterganos, and Richard Timme, District of Columbia Performance Management Program Evaluation (senior capstone applied research project in the George Washington University School of Public Policy and Public Administration, Fall 2006), p. 13.

²⁰Performance Measurement Council, “Agency Performance Management Council: Four Recommendations to the Fenty Transition Team on Improving District Performance Management” (document prepared for the December 11, 2006, meeting of the Performance Management Council), p. 4.

²¹Office of the City Administrator, “Performance Plan Template Instructions,” document prepared and circulated by the Office of the City Administrator, June 2007.

²²Echoing this point, the George Washington University graduate students who studied the District’s performance management system stated that, “The lack of concise, consolidated documentation regarding the execution of the District’s performance-based management creates systemwide problems. An in-depth knowledge of the system is limited to only a handful of people within the entire District.” See Breil, Choi, Goodwin, Sterganos, and Timme, p. 13.

²³Office of the City Administrator, “Performance Plan Template Instructions.”

²⁴Memorandum on “Observations and Changes to the District’s Performance Management System,” from Kevin Donahue, Office of the City Administrator, to Jason Juffras, Office of the District of Columbia Auditor, January 8, 2008.

Agency representatives interviewed by the Auditor stated that they welcome the new approach, expressing the view that it is more focused and allows policymakers to monitor and assess high-priority issues and programs (as an independent agency, the OCFO did not revise its FY 2008 performance plan in accordance with the administration's guidelines). Moreover, the five sample agencies under the Mayor's authority seemed to regard the performance plans, and the achievement of the objectives and initiatives contained in the plans, as relevant and consequential.

In particular, the agencies seemed to be integrating performance measurement into agency management, instead of regarding performance measurement as a matter of bureaucratic compliance. For example, DCPS and DOH officials stated that they have begun to link individual employee evaluations to the objectives, initiatives, and performance measures included in the revised FY 2008 performance plans. Additionally, the administration's implementation of regular performance review sessions, known as "CapStat" sessions, for agency directors and other senior executives has increased the attention given to performance measurement and accountability.²⁵ Representatives of several agencies, including the OCFO, DCPS, and DPW, stated that they had started holding internal CapStat sessions. Noting the lack of follow-through in implementing performance measurement in the past, the Auditor cautions that the stronger central direction and the increased attention to performance measurement must be sustained to have a major long-term impact.

THE PERFORMANCE MEASURES USED IN THE DISTRICT ARE NOT SUFFICIENTLY OUTCOME-ORIENTED, AND FALL SHORT OF BEST PRACTICES IN TERMS OF CLARITY, BALANCE, AND STABILITY

Individual measures are the building blocks of performance measurement. If the most important aspects of service delivery are not measured, then the performance measurement system will produce little valuable information. Overall, the Auditor found that the District's performance measures are not sufficiently outcome-oriented and fall short of best practices in several ways. As discussed below in more detail, the District's performance measures sometime target narrow aspects of program performance or involve confusing jargon. Additionally, agency performance measures often lack the balance and stability that is needed to track important dimensions of performance over time. Examples of output measures in the FY 2007 and original FY 2008 performance plans of the sample agencies include:

- OCFO Measure 7.2, "Percent of approved security needs implemented";

²⁵For more information on the CapStat program, see the CapStat Internet site at <http://capstat.oca.dc.gov>.

- OCFO Measure 9.2, “Percent of spending plans and RFPs submitted”;
- DOES Measure 3.2, “Percent of training providers furnished technical assistance through formal instruction” (this measure is also part of DOES’ revised FY 2008 performance plan);
- DOH Measure 2.3, “Percent of health care providers trained in emergency response”; and
- DPW Measure 4.3, “Percent of DPW personnel attending at least one training program during the fiscal year.”

Many performance measures are of limited value because they focus on internal bureaucratic processes and use jargon that the public may not understand. The following are examples of process-oriented or overly technocratic measures that the Auditor identified in the FY 2007 and original FY 2008 performance plans:

- OCFO Measure 3.1, “Percent variation between the original binding revenue estimate as compared to actual revenue and the CBO estimate of federal revenue and actual federal revenue”;
- OCFO Measure 3.2, “Percent of ad-hoc documents reviewed by the Office of Revenue Analysis that do not contain factual errors”;
- DOES Measure 1.2, “Percent of all intrastate first unemployment insurance payments made within 14 days of the first compensable week-ending date (this measure is also part of DOES’ revised FY 2008 performance plan);
- DOES Measure 2.3, “Percent of Memorandum of Informal Conferences issued within 20 working days following conduct of informal conferences to resolve dispute (this measure is also part of DOES’ revised FY 2008 performance plan); and
- DOH Measure 9.4, “Percent of Certificate of Need applications processed.”

The revised FY 2008 performance plans generally had a stronger emphasis on outcomes, but the Auditor noted a number of instances in which the outcome orientation of the performance measures could be further enhanced. For example, the revised FY 2008 performance plan for DOES includes two measures showing the percentage of job trainees who entered unsubsidized

employment, but lacks measures showing the average wage and job retention rates – key outcomes that DOES must monitor and report to the U.S. Department of Labor. DOES also measures the percentage of initial occupational safety and health consultation visits in high-hazard establishments, but could go further to report the results of its consultations. In presenting key initiatives, DPW's revised FY 2008 performance plan sets the goal of abating graffiti within 5 to 10 days (rather than the current time frame of 30 to 45 days), but the relevant performance measure reflects the overall number of graffiti abatements, rather than the percentage of abatements carried out within a particular time frame.

Moreover, the Auditor found that the District neglects to use efficiency measures, such as the cost of a given unit of service, or the amount of service provided per employee, that show how well an agency or program is using its resources. In fact, the Auditor identified only one efficiency measure in all of the FY 2006 performance reports, FY 2007 performance plans, and FY 2008 performance plans prepared by the sample agencies,²⁶ even though agencies have defined dozens of efficiency measures in the strategic business plans that were created for performance-based budgeting. As a result, the District is missing an opportunity to assess whether funding, personnel, and other resources are being used effectively – a tool that would be of potentially major benefit in the budget process.

The Auditor also found that the revised FY 2008 performance plans are less comprehensive than the original plans. As noted earlier, the Fenty administration has sought to pare down the number of measures to focus the performance measurement system on key objectives and high-priority initiatives that will make a visible impact on public services. Nevertheless, these changes may result in too few measures to assess agency performance. For example, the 34 measures in MPD's original FY 2008 performance plan have been reduced to 12, while the 55 measures in DOH's original FY 2008 performance plan have been reduced to 10. As a result, agency performance measures have lost some of their breadth and balance. As noted earlier in this report, a balanced performance measurement system is needed to avoid perverse incentives to meet some goals at the expense of others (such as speed versus accuracy or effectiveness) and to pinpoint the impact of different programs and the results for different subgroups.

²⁶The sole efficiency measure was "cost per parking ticket issued," which was included in DPW's revised FY 2008 performance plan.

The revised FY 2008 performance plans for DCPS and DOH illustrate the need for more balance in agency performance measures. Among the 10 measures in DCPS' revised performance plan are two indicators based on standardized test results: (1) the number of schools with annual improvement in both English/language arts and math scores, and (2) the percentage of 9th-, 10th-, and 11th-grade students taking the Preliminary Scholastic Aptitude Test. Although these measures are valuable, they are highly aggregated and omit information of considerable importance to parents, residents, and policymakers alike. For example, the measure of the number of *schools* improving in English/language arts and math scores could be usefully supplemented by data on the percentage of *students* attaining different levels of proficiency in each subject. Disaggregating the data to show the performance of elementary and secondary school students would be another primary area of concern. Other key variables that could be highlighted include the achievement levels by gender, race, income, and special education status. Besides the standardized tests taken by all students, other measures of achievement such as the number of students scoring well on Advanced Placement tests would provide a fuller picture of student performance.

Similarly, DOH's revised performance plan, which includes 10 measures, has two measures touching on child health – the number of perinatal HIV transmissions, and the percent of children seen by school nurses who receive a body mass index measurement – but key indicators pertaining to low birth weight, prenatal care, lead screening, immunization, and substance abuse are lacking, as are data on child health for different demographic groups.

Moreover, the revisions of FY 2008 performance plans created more instability in a performance measurement system that has been marked by constant changes in measures – a continuing flux that undermines the core purpose of tracking changes in performance over time. Using each sample agency's FY 2006 performance plans as a baseline, the Auditor examined each agency's FY 2007 and FY 2008 performance plans to assess the continuity in agency performance measurement systems. As shown in Table 1 on the next page, the OCFO was the only sample agency that still used most of its FY 2006 measures two years later, in FY 2008. OCFO retained 26 of its 32 FY 2006 measures, or 81 percent. DOH was at the opposite end of the spectrum, having maintained only one of the 39 measures (3 percent) from its FY 2006 performance plan.

Table 1:
Continuity in Agency Performance Plans:
Number of FY 2006 Performance Measures That Were Used in FY 2007 and FY 2008

Agency	FY 2006 Performance Measures (Baseline)	FY 2006 Measures Retained in FY 2007 Plan	FY 2006 Measures Retained in Original FY 2008 Plan	FY 2006 Measures Retained in Revised FY 2008 Plan
OCFO	32	32	26	N.A.
DOES	18	18	16	9
MPD	34	34	32	9
DOH	39	25	16	1
DPW	20	19	17	6

Notes: As an independent agency, the OCFO did not revise its FY 2008 performance plan. DCPS is not included in the table because it did not prepare performance plans for FY 2006 or FY 2007.

Sources: Government of the District of Columbia, FY 2006 Proposed Budget and Financial Plan, Volume 2 (June 2005); Government of the District of Columbia, FY 2007 Proposed Budget and Financial Plan, Volume 2 (June 2006) Government of the District of Columbia; FY 2008 Proposed Budget and Financial Plan, Volumes 2A and 2B (June 2007); and revised agency performance plans for fiscal year 2008.

THE PERFORMANCE MEASUREMENT SYSTEM WOULD BENEFIT FROM INCREASED EMPLOYEE TRAINING AND TECHNICAL ASSISTANCE

Because performance measurement involves a number of specialized tasks – such as defining measures, setting targets, and establishing procedures for collecting and validating data – training and technical assistance are essential supports for effective implementation. A common theme of the interviews conducted by the Auditor for this report is that there are few opportunities for training and few sources of technical assistance regarding performance measurement in the District government. Several officials stated that there had been a number of training sessions jointly led by the OCA and the Office of Budget and Planning (OBP is the OCFO division responsible for performance-based budgeting) four to six years ago when performance-based budgeting was first being implemented, but that training had since waned. In addition, agency representatives noted that a Performance Management Council (PMC) launched during the prior administration had been a valuable source of guidance and a useful forum for discussion, but had not met since June 2007. One of the few ongoing sources of training in performance measurement is a one-day course on

performance-based budgeting for managers, which will be offered three times during FY 2008 by the Department of Human Resources' Workforce Development Administration.²⁷ Several officials stated that this course focuses more on budgeting than on performance measurement.²⁸

Policy standards, training, and technical assistance have not been consistently emphasized and reinforced in the District's performance measurement system. For example, the OCA and OBP jointly issued a five-page manual on Performance Measure Data Collection in July 2003, but the Auditor found that this guidance was no longer being used. More recently, the OCA disseminated a template for performance plans, along with a typology of performance measures and how they are used, but there is no comprehensive handbook or manual for performance measurement in the District government.

PROMISING EFFORTS ARE UNDERWAY TO MAKE GREATER USE OF INDEPENDENT, EXTERNAL ASSESSMENTS OF PERFORMANCE

In the past, District government agencies have rarely used external sources of data, such as customer surveys or trained observer ratings, to provide a more objective and independent assessment of agency performance than is available through internal records or self-reporting by agency staff. For the FY 2006 performance reports, FY 2007 performance plans, and original FY 2008 performance plans, all agencies used a measure of customer service, "Percent of Mayor's customer service standards met," based on ratings of responsiveness and courtesy recorded by trained external testers. DPW was the only sample agency that used an additional external measure of performance: DPW Measure 1.1, the "Percent of Clean City areas rated 'clean' or 'moderately clean,'" based on ratings by trained observers. Although DPW reported that 85 percent of the relevant areas were rated as clean or moderately clean during FY 2006, no results were reported for this measure in FY 2007. A DPW representative stated that the ratings were not performed in FY 2007 because the Clean City Coordinator position was vacant at the end of the Williams administration.

²⁷Department of Human Resources, Center for Workforce Development, 2008 Course Schedule, p. 1.

²⁸The course description also focuses almost exclusively on budgeting, highlighting the topics of "managerial and cost accounting, auditing and financial controls, as well as public-sector budgeting principles and techniques, financial and cost analysis tools, and control and cost accounting systems, with emphasis on auditing and cost comparison methodologies and quantitative techniques for deriving and evaluating cost data." See D.C. Department of Human Resources, Course Catalog 2008, pp. 44-45.

The revised FY 2008 performance plans established by the Fenty administration include a number of customer survey measures. DOES states that it will implement a “mystery shopper” initiative and disseminate customer satisfaction surveys to identify and correct program areas in need of improvement. Similarly, MPD’s performance plan states that the Department will conduct an annual survey to assess community perceptions of MPD. DCPS plans to conduct three surveys: (1) a survey of teachers and principals about how well the DCPS central office is meeting their needs, (2) a survey of students, teachers, parents, and principals about the school environment, and (3) a survey of parents about their satisfaction with the schools their children attend as well as their views of the school district as a whole. A DPW representative stated that the agency intends to revive the “Clean City” ratings. These plans are welcome, because the external assessments could provide a rich array of objective, credible data on agency performance. In several cases, the assessments are already underway. DCPS has contracted with the American Institutes for Research to conduct its first survey, while DOES has retained Thompson, Cobb, Bazilio & Associates to test the knowledge, courtesy, and etiquette of its employees using mystery shoppers who act out various scenarios.

A promising development is a new practice, implemented by the Office of Unified Communications (OUC), of calling back residents who have transmitted service requests to the Mayor’s Call Center, the central intake point for resident complaints and questions.²⁹ This call-back program, known as “How’s My Service?”, asks residents about the timeliness, completeness, and quality of the response to their requests for certain services provided by DPW, DOH, and the Department of Transportation.³⁰ This initiative has uncovered a significant gap between agencies’ reported performance and the perceptions of residents. The three largest gaps were found in rat abatement (where only 22.9 percent of residents described the problem as solved, compared with a reported resolution rate of 99.7 percent); alley repair (a 25.8 percent resolution rate reported by residents, versus 97.9 percent by the agency); and sidewalk repair (a 31.1 percent resolution rate reported by residents, versus 97.8 percent by the agency).³¹ The OCA has concluded that agencies were closing requests using ambiguous case resolution codes and without explaining to residents why action was not taken. To close this performance gap, the administration is directing agencies

²⁹The number for the Mayor’s Call Center was 727-1000 from its inception in 1999 until January 2008, when the District changed the number to 311.

³⁰The OUC database tracks scheduled services, including abandoned auto removal, alley cleaning, alley repair, autumn leaf collection, bulk trash collection, dead animal pick-up, grass and weed mowing, illegal dumping, litter can repair, parking enforcement, potholes, rat abatement, recycling carts, recycling collection, sanitation enforcement, sidewalk repair, street cleaning, streetlight repair, street repair, street signs, traffic signals, trash collection, tree removal, and yard waste.

³¹These data are posted on the CapStat Internet site at <http://capstat.oca.dc.gov>.

to provide residents with additional information about the timing of the work, to explain any delays or a decision not to do the work, and to use more detailed codes to describe the agency response.³² This is a useful process of validating and correcting agency performance data that could be expanded to a whole range of government services.

The Auditor notes that District agencies have a poor track record in implementing customer surveys. For several years, MPD's performance plans have included three performance measures concerning victimization and victims' views about police service, yet no results were reported in MPD's FY 2006 or FY 2007 performance reports because the relevant surveys were not conducted by the Office of Victim Services³³ (an MPD representative stated that the Department is now analyzing the results of a victim survey conducted by a private contractor). Similarly, DOH's original FY 2008 performance plan included a measure of the "Percent of Health Care Safety Net customers rating coordination and care as satisfactory," but the survey was not implemented. As far back as FY 2002, DCPS planned to measure the "Percentage of schools giving central office excellent customer service ratings,"³⁴ but previous DCPS administrations did not carry out this plan. Once again, the focus and follow-through of key managers will be essential in achieving plans to improve the integrity and credibility of the District's performance measurement system. If trend data are not collected through repeat surveys, the information will be of little value.

PERFORMANCE TARGETS HAVE BECOME MORE AMBITIOUS, BUT THERE IS ROOM FOR ADDITIONAL IMPROVEMENT

The Auditor noted that the sample agencies often set very modest performance targets in their FY 2007 performance plans and in their initial FY 2008 performance plans. In fact, the performance

³²See <http://capstat.oca.dc.gov>.

³³The relevant measures are MPD Measure 1.4, "Percent change in victims surveyed reporting that they were victimized more than once in the past three months," MPD Measure 1.9, "Percent change in victims reporting that they were very satisfied or somewhat satisfied with the initial police services they received when they were victims of crime," and MPD Measure 2.1, "Percent of victims of crime reporting that they were very satisfied or somewhat satisfied with the follow-up contact from a detective that they received when they were victims of crime." In its FY 2006 performance report, MPD stated that, "The Deputy Mayor asked the Office of Victims Services (OVS) to conduct this survey of crime victims in the District. However, since OVS did not conduct a survey in FY 2005 or FY 2006, MPD was not able to report on Measures 1.4, 1.9, or 2.1."

³⁴Government of the District of Columbia, FY 2002 Proposed Budget and Financial Plan (June 2001), p. D-9.

targets were frequently below reported levels of performance for prior years.³⁵ For example, OCFO reported reviewing and processing 100 percent of applications for tax-increment financing within 120 days for fiscal years 2004, 2005, and 2006, yet maintained an 80 percent target for FY 2007 and FY 2008. Many agencies also kept performance targets constant, instead of raising them, after consistently reporting performance of 99 or 100 percent. OCFO's Financial Operations and Systems program is an example: reported performance for both of its two measures (Measure 1.1, "Percent of paychecks accurately prepared and distributed within payroll schedule," and Measure 1.2, "Percent of monthly closing completed within 10 days") has been 100 percent every year between FY 2004 and FY 2007.

The revised FY 2008 performance plans prepared by five sample agencies included more ambitious performance targets and placed greater emphasis on continuous improvement. For example, DCPS projected steady increases in performance on all of its key indicators (such as English and language arts test scores, the graduation rate, the dropout rate, and the truancy rate) for fiscal years 2008 through 2010. DOH targeted steady increases in performance for most of its key indicators for fiscal years 2008 through 2010, while projecting level performance for two more process-oriented indicators (number of health care expansions evaluated for cost-effectiveness, and number of training sessions on accurate documentation and billing for Medicaid providers). Notably, DOH established a goal of zero perinatal HIV transmissions for FY 2008 and subsequent years. MPD is targeting 5 percent annual reductions in the violent crime and property crime rates, while establishing a standard that investigation case closures for homicides, forcible rapes, burglaries and other crimes shall exceed the average for mid-sized cities by 5 percent. DPW seeks to maintain current levels of performance for many of its key indicators (such as the percent of trash collection routes completed on the scheduled day, or the percent of service requests for abandoned vehicles resolved within five business days), but in many instances DPW's past performance is reported to be in the 90 to 99 percent range where there is less room for improvement.

Although DOES was particularly ambitious in targeting a steady decline in the District's unemployment rate as well as a steady growth of jobs – outcomes that depend on many factors outside the agency's control – a number of its targets were below recent levels of performance. For example, DOES set the target that 40 percent of participants in its Transitional Employment

³⁵Other jurisdictions explicitly warn agencies against setting performance targets that are too low. Fairfax County's instructions state that, "Targets that are set artificially low are subject to questions and revision." See Fairfax County Department of Management and Budget, Fairfax County Measures Up: A Guide to Performance Measurement, p. 20. Similarly, Texas' instructions state that, "It is important to realize that overachievement of targets may be as much of a problem as underachievement." See Texas State Auditor's Office, Legislative Budget Bureau, and Governor's Office of Budget and Planning, Guide to Performance Measure Management, 2000 Edition (1999), p. 13.

Program³⁶ would transition to unsubsidized employment in FY 2008, FY 2009, and FY 2010, even though the agency had achieved a 42 percent level for FY 2006 and a 44 percent level from the beginning of FY 2007 through June 30, 2007 (the final data for FY 2007, which were not available when DOES revised its FY 2008 performance plan, showed a 61 percent placement rate for Transitional Employment Program participants).³⁷ Similarly, DOES' goal is to place 70 percent of unemployed adult customers in full-time, unsubsidized employment in fiscal years 2008 through 2010, a target that is below the 77 percent level of performance reportedly achieved in FY 2006.³⁸

QUALITY CONTROL AND DATA VERIFICATION REMAIN SIGNIFICANT SHORTCOMINGS THAT THREATEN THE INTEGRITY OF THE PERFORMANCE MEASUREMENT SYSTEM

The quality control and data verification that ensure the integrity of the performance data and the performance measurement system have been deficient. The Auditor noted numerous omissions, errors, and inconsistencies in the FY 2006 performance reports, FY 2007 performance plans, and FY 2008 performance plans that reflect serious lapses in quality assurance. Some of these deficiencies, such as the failure of agencies to collect and report data for their performance measures, have been noted in the companion report, "Compliance with the Government Managers Accountability Amendment Act of 1995 Has Been Incomplete and Inconsistent." For example, the OCFO failed to report data on three budget measures (Measure 2.2, "Percent of agencies that reprogram more than 10% of budget," Measure 2.3, "Percent of agencies with spending pressures that are resolved by sources external to the agency," and Measure 2.4, "Percent of awarded grant funds lost due to lapse of grant") more than seven months after FY 2006 ended. In addition, performance reports sometimes include results that are mathematically impossible, implausible, or difficult to interpret. For example:

- For FY 2007 report, the OCFO was rated by the OCA as having "exceeded expectations" for its Budget Development and Execution program, yet none of the four performance targets for this program were met.³⁹

³⁶In DOES' revised FY 2008 performance plan, the agency describes the Transitional Employment Program as being designed to address "the employment problems of a chronically underemployed population with numerous, persistent, and generational barriers to self-sufficiency" (p. 4).

³⁷Office of the City Administrator, FY 2007 Performance Accountability Report, Department of Employment Services chapter, p. 3.

³⁸Department of Employment Services, "FY 08 Performance Plan," p. 4.

³⁹Office of the City Administrator, FY 2007 Performance Accountability Report, Office of the Chief Financial Officer chapter, p. 1.

- For FY 2005 and FY 2006, DCPS reported that 100 percent of students and teachers were in receipt of textbooks aligned with DCPS curriculum and standards, despite numerous media reports as well as research evidence to the contrary.⁴⁰
- In its FY 2006 performance report, DOH stated that 113 percent of children between the ages of six months and six years were screened for elevated blood levels.⁴¹
- In its FY 2007 performance report, DPW reported that it transferred 100.56 percent of waste from municipal transfer stations within the same business day, and that 109.7 percent of the agency's mission-critical fleet was available for daily operations.⁴²

The Auditor also noted that the sample agencies' FY 2007 performance reports were marred by a large number of measures for which no data were reported. For example, there are no data for the four measures of the OCFO's Finance and Treasury program.⁴³ MPD reported data for only two of the 11 measures in its Investigative Field Operations program, because final data for calendar year 2007 were not available yet.⁴⁴ DCPS' FY 2007 performance report was little more than a string of blanks, with no data reported for 16 of 22 measures, including "Percentage of 9th-grade students who graduate four years later," "Number of students participating in Advanced Placement programs," and "Percent of students with up-to-date immunization records on file at the opening of the school year."⁴⁵

⁴⁰For example, D.C. Voice reported in December 2005 that only 13 percent of elementary school principals, 57 percent of middle and junior high school principals, and 14 percent of high school principals reported that their schools had received all of the required textbooks at the start of the 2005-2006 school year. See D.C. Voice, Starting Off Right 2005: A School System in Transition, p. 15. See also V. Dion Haynes, "Janey Pledges to Fix Glitches in Textbook Ordering Process," The Washington Post, December 13, 2005, p. B1.

⁴¹Office of the City Administrator, FY 2006 Performance Accountability Report to the D.C. Council, Committee on Health chapter, p. 3.

⁴²Office of the City Administrator, FY 2007 Performance Accountability Report, Office of the Chief Financial Officer chapter, pp. 3-4.

⁴³Office of the City Administrator, FY 2007 Performance Accountability Report, Office of the Chief Financial Officer chapter, p. 1.

⁴⁴Office of the City Administrator, FY 2007 Performance Accountability Report, Metropolitan Police Department chapter, pp. 3-6.

⁴⁵Office of the City Administrator, FY 2007 Performance Accountability Report, D.C. Public Schools chapter, pp. 1-4.

Despite a series of audit findings in recent years that documented agencies' failure to verify and inability to document the reported performance results, the Auditor found there were no general policies and procedures in place regarding data verification. Representatives of several agencies acknowledged in interviews that they simply report the data submitted by their operating divisions, although some agencies such as DOES had assigned staff to review the data and look for anomalies. There is no central review function for data quality. In FY 2004, DPW published a data manual that defines each measure and the formula for calculating performance results, identifies the data source, states the frequency of data reporting, reviews the reliability of the data, and describes the quality assurance process, but this was the only example of a systematic approach to data quality that the Auditor identified during this audit. Although it would be unfeasible to verify all performance data generated by the agencies, the implementation of common procedures and the spot checking of particular data, as exemplified by the customer call-back program discussed earlier, would significantly enhance the integrity of the performance measurement system.

The longstanding nature of this problem is highlighted in a March 2001 report from the Inspector General, which stated that:

OCA did not initially provide agencies with sufficient standardized guidance in calculating, documenting, and reporting accomplishments resulting from performance contracts and scorecard measures. Such guidance should have prescribed steps, processes, and standards for calculating results, maintaining records and other supporting documentation for independent verification, and reporting accomplishments. As a result, in at least two of the four agencies reviewed, the agencies did not maintain supporting documentation for the accomplishments they reported. OCA also independently recognized the need for standard procedures and expects to issue the performance review process guidelines by the end of the summer 2001.⁴⁶

The Auditor also noted that agencies frequently change their units of measurement from absolute numbers (such as the number of children in a program) to percentages (such as percentage of eligible children enrolled) to percentage change (such as the annual percent increase or decrease in the number of children), making it impossible to compare measures or to analyze changes over time. These inconsistencies, coupled with errors like those highlighted above, reduce the usefulness and the credibility of the District's performance measurement system.⁴⁷

⁴⁶Office of the Inspector General, Audit of Contract Performance Measures and the Mayor's Scorecard Measures (OIG Audit Report No. OIG-00-2-12MA, March 20, 2001), p. iv.

⁴⁷For example, between FY 2006 and FY 2007, MPD changed the unit of measurement for 12 performance measures from an absolute number (a number or percentage) to a percent change. As a result, the trend lines are lost. For example, MPD reported that the average time from dispatch to arrival on the scene for a Priority One call was 7.44 minutes in FY 2006, but the target for FY 2007 is not recorded in minutes but rather as 2 percent.

THE EXECUTIVE BRANCH HAS MADE THE PERFORMANCE MEASUREMENT SYSTEM MORE TRANSPARENT AND INFORMATIVE, BUT THE FORMAT FOR ANNUAL PERFORMANCE REPORTING IS A LIMITING FACTOR

A core purpose of performance measurement is to inform not only policymakers, but also the general public, about how effectively tax dollars are being used. Performance measurement should make government operations more transparent so that excellent performance can be demonstrated and rewarded, while performance shortfalls can be identified and addressed. As Liner and his colleagues point out, “Accountability to citizens is the ultimate accountability.”⁴⁸ In addition, a performance measurement system that spotlights strengths and weaknesses in a constructive way can build public confidence in government – another important benefit of managing for results.

The District has made some major gains in the transparency of its performance measurement system within the past year. Agency performance plans and reports are now posted on the CapStat Internet site (<http://capstat.oca.dc.gov>). In addition, the CapStat Internet site includes a range of other important performance data, including the “Action Item Reports” that result from CapStat sessions led by the Mayor; live and on-demand video of CapStat sessions; time-series data on service requests received by agencies and the status of the requests; and issue-specific performance data (on topics such as emergency evacuation).

At the same time, the Auditor found that the transparency and usefulness of agency performance reports is constrained by the format in which they are presented. Since FY 2001, agency performance reports have been part of each agency’s chapter in the Mayor’s annual budget submission to the Council and the Congress. Although this practice was intended to bring performance considerations into the budget process, the amount of performance information that can be included in each budget chapter is minimal and there is little opportunity to explain or elaborate on the data. Each budget chapter lists the measures associated with each program in the agency’s performance-based budgeting structure, and shows the targeted and actual results for several fiscal years in tabular form. Although there are notes in the budget chapters to clarify the meaning or interpretation of the performance measures, these are often brief phrases such as, “New measure at agency request,” that do not shed much light on the measures and how they are used. The annual performance accountability report that the OCA transmits to the Council and Congress essentially consolidates the tables of performance data that are included in the Mayor’s annual budget submission to the Council. There is no executive summary that accompanies the performance plans and reports and highlights the important trends, accomplishments, and goals.

⁴⁸Liner, Hatry, and Vinson et. al, Making Results-Based State Government Work, p. 38.

Performance data, by themselves, explain very little. Data do not tell us why a high level of performance occurred or why a program fell short of its goals, perhaps for reasons beyond its control. The lack of clarifying information or commentary, particularly in light of agencies' frequent failure to provide trend data including the base and targeted levels of performance, limits public understanding of the results. At the same time, the lack of explanatory information hinders the discussion of performance that should feed back into the government's planning and budgeting processes.

Performance reports from other jurisdictions show how an extended description of performance goals and results can inform policymakers and the public about an agency's activities and accomplishments. In New York City, the Mayor is required by the City Charter to report twice annually on the performance of municipal agencies.⁴⁹ The Mayor's Management Report (MMR) reports data on more than 1,000 performance measures from 45 agencies, but the MMR does more than simply present statistics.⁵⁰ Each agency chapter describes the agency's key public service areas, critical objectives, and the scope of agency operations; highlights the major performance results; displays trends graphically; summarizes the agency's resources; and explains noteworthy changes, additions, or deletions to the measures and the reported results. Supplementary volumes define the measures, provide performance data at the community level, and present performance measures for important services that cut across multiple agencies. The MMR serves as a powerful tool for accountability and informing the public. The September 2007 MMR contains more than 200 pages exclusively dedicated to the analysis of government performance.

Similarly, Prince William County in Virginia publishes an annual "Service Efforts and Accomplishments Report" that provides a wealth of detailed performance information.⁵¹ The report includes a chapter on each agency that describes not only the mission, resources, and main accomplishments of the agency, but also discusses each performance measure at length. The Prince William County report also displays performance trends graphically and compares Prince William's performance to that of other jurisdictions in Virginia, including the City of Alexandria, Arlington County, Chesterfield County, Fairfax County, and Henrico County. Prince William County was one

⁴⁹The two reports are the annual Mayor's Management Report, which covers performance for the fiscal year just ended, and the preliminary Mayor's Management Report, which covers the first four months of a fiscal year.

⁵⁰City of New York, Michael R. Bloomberg, Mayor, Mayor's Management Report (September 2007). See in particular pp. vi-vii.

⁵¹See Prince William County, Virginia, Service Efforts and Accomplishments Report for the Fiscal Year Ended June 30, 2006 (April 2007).

of 14 jurisdictions in the country to win the Certificate of Excellence in Service Efforts and Accomplishments Reporting from the Association of Government Accountants.

At the federal level, the Government Performance Results Act (GPRA) of 1993 also emphasizes the explanation of performance results. Section 1116 (“Program performance reports”) of the GPRA requires each agency to “review the success of achieving the performance goals of the fiscal year” and to “explain and describe” the reasons why a performance goal was not met.

THE DISTRICT GOVERNMENT STILL FACES THE CHALLENGE OF USING PERFORMANCE MEASUREMENT AS A TOOL FOR BETTER MANAGEMENT AND OPERATIONS

Performance measurement is not an end in itself. Experts agree that performance measurement should be one link in a cycle of managing for results, or performance management. As defined by the International City/County Management Association (ICMA), performance management is the “application of (performance) data into an integrated management system that informs resource allocation and decision making.”⁵² Making performance measurement an integral part of government decision-making yields what the ICMA calls the “performance dividend” – greater capacity to engage residents and elected officials in setting goals, assessing needs, developing focused strategies, tracking progress, reducing costs and improving business processes, and increasing accountability and public satisfaction with government.⁵³

The District of Columbia has yet to reap the dividends that result from effective performance management. Thus far, performance measurement has largely been an exercise in bureaucratic compliance, isolated from the planning, budgeting, and management processes. The Auditor’s background research and field work identified only one instance in which performance measurement affected a significant management decision at any of the sample agencies. A DPW representative stated that the agency noted a discrepancy between the reported data on the removal of abandoned autos from public space or private property, which showed a performance level at or near 100 percent, and a steady stream of complaints about the lack of action on abandoned vehicles from residents and Councilmembers’ offices. After investigating this discrepancy, DPW officials found

⁵²International City/County Management Association, Performance Management: When Results Matter, p. 2.

⁵³International City/County Management Association, Performance Management: When Results Matter, p. 6.

that the performance data were flawed, because managers were reporting only on those cases that the agency had been able to review. Abandoned auto cases that had been reported to DPW, but not investigated, were not included in the denominator, leading to a highly inflated measurement of performance. To address the problem of poor performance in removing abandoned autos, the DPW representative stated that the agency drafted legislation to reduce the time period for removing abandoned vehicles and streamline the notice process. This legislation was enacted by the Council.⁵⁴

Although performance measurement is intended to inform budget decisions and the District's adoption of performance-based budgeting wrote that expectation into law, the Auditor found no evidence that performance information has influenced budget decisions. For the six sample agencies, the Auditor identified 53 policy initiatives (also referred to as budget enhancements) that were funded in the FY 2008 operating budget. Examples include a \$5 million increase in job training funding for DOES and a \$1.1 million increase for DPW's street litter control campaign. None of the 53 initiatives was accompanied by a description of expected results in the District's FY 2008 budget submission to the U.S. Congress. Furthermore, the Auditor's field interviews did not yield any examples of how the performance-based budgeting process had influenced budget decisions.

The study of the District's performance management system by a group of George Washington University graduate students reached similar conclusions about the failure of performance data to influence decision-making in the District government. The students found that, "The performance-based management system has devolved to what amounts to a check-the-box type system. Perceived agency success with performance management seems to be a function of an agency's ability to quantify their measures, rather than ... the use of performance information to make management decisions. Accountability is limited to administrative aspects of performance management, such as reporting KRMs and updating strategic business plans and documents for the budget book."⁵⁵ Among the Performance Management Council members surveyed by the students, only 13 percent believed very strongly that performance data significantly influence budget decisions; only 13 percent believed very strongly that managers use performance data in decisions to expand, reduce, or terminate a program; and only 16 percent believed very strongly that performance data are used in personnel decisions such as the awarding of bonuses.⁵⁶

⁵⁴The legislation was Bill 15-78, the "Removal and Disposition of Abandoned and Other Unlawfully Parked Vehicles Reform Act of 2003," which became D.C. Law 15-35, effective October 28, 2003.

⁵⁵Dana Breil, Joanna Choi, Douglas Goodwin, Nick Sterganos, and Richard Timme, District of Columbia Performance Management Program Evaluation, p. 13.

⁵⁶Dana Breil, Joanna Choi, Douglas Goodwin, Nick Sterganos, and Richard Timme, District of Columbia Performance Management Program Evaluation, p. 32.

The administration has taken steps to make performance measurement a valuable tool for management and operations, and additional changes are underway. In particular, agencies under the Mayor's supervision have been directed to link the evaluation of individual employees to their contribution to the agency's performance goals. DCPS and DOH representatives, in particular, emphasized this linkage and stated that senior managers had instructed supervisors to impose a higher standard for employee evaluations, in some cases sending the evaluations back for revision because they were skewed to the upper ends of the scale. The CapStat Director stated that the administration has, "halted the practice of allowing employee bonuses to be based on employee evaluations, since those evaluations did not tie back to agency performance plans," and "put a temporary moratorium on pay-for-performance salary adjustments until we have an evaluation system with strict grade inflation controls and clear ties between employee and agency performance plans."⁵⁷ In addition, the administration has implemented a quarterly review process for budget implementation and performance issues, which are led by the City Administrator, in addition to the weekly CapStat sessions that are led by the Mayor. For the fiscal year 2009 budget now under development, administration officials have stated that budget increases will have to be linked to the accomplishment of initiatives and goals set forth in the agency's performance plan. These are important steps toward realizing the benefits of performance measurement, if sustained.

The future of strategic planning and performance-based budgeting, and the proper place for those initiatives within the District's performance measurement system as a whole, remain uncertain. Agency strategic plans, which have served as the cornerstone of the PBB process, describe the agency's mission, key issues and challenges, strategic result goals,⁵⁸ program and activity structure, and program performance goals. Strategic plans are intended to span several years and thereby encourage long-range planning. During the Auditor's interviews, significant dissatisfaction with strategic business plans was evident. Officials from the sample agencies generally described the strategic business plans as cumbersome, and more useful in providing a structure for the operating budget than in framing key issues and supporting long-range planning. Although agencies under the Mayor's supervision have been instructed that, "Performance plans will replace Strategic Business Plans and will be the basis upon which agencies and agency leadership are monitored and assessed

⁵⁷Memorandum on "Observations and Changes to the District's Performance Management System," from Kevin Donahue, Office of the City Administrator, to Jason Juffras, Office of the District of Columbia Auditor, January 8, 2008.

⁵⁸The strategic result goals are not performance measures *per se*, but rather are intended to describe the significant results to be achieved over the next 2-3 years and inform residents what to expect from the agency.

during the fiscal year,”⁵⁹ strategic business plans are mandated by the performance-based budgeting law. It remains an open question whether the strategic business plans should be continued, modified, or eliminated. More generally, performance-based budgeting does not seem to have met its goal of “enabling public officials, program managers, and the public to evaluate whether money is being spent wisely on a program that is meeting its goals or if the money could be better spent elsewhere,”⁶⁰ and its future role in budgeting and performance management also seems unclear.

RECOMMENDATIONS

1. The Mayor and Council, as well as appointed senior management officials in the District government, must sustain their commitment to performance measurement as a valuable tool for government decision-making. Otherwise, agencies will not invest the time and resources needed to devise and implement performance measurement systems that report the results of government programs and services in an accurate and timely manner.
2. Agency managers should improve the validity, reliability, significance, and balance of their performance measures by adopting measures published by national professional associations such as the International City-County Management Association, the Government Finance Officers Association, and the American Public Health Association. Agencies should also review the performance measures used by similar agencies in neighboring jurisdictions to identify useful outcome measures whose results can be compared. The Office of the City Administrator should assist agencies in these efforts.
3. Agency directors and their senior managers should begin implementing efficiency measures, drawing on the hundreds of efficiency measures that have been developed in agency strategic business plans, as a way to show how well they are using resources and provide useful information for the annual budgeting process. Efficiency measures would be particularly useful for the largest programs within an agency and those that provide high-priority services to the public. The Office of Budget and Planning should help agencies develop the necessary data collection methods and calculations.

⁵⁹Office of the City Administrator, “Performance Plan Template Instructions.”

⁶⁰Government of the District of Columbia, FY 2008 Proposed Budget and Financial Plan, Volume 1, Executive Summary (June 2007), p. 2-1.

4. The Mayor, City Administrator, and Council must ensure that agencies submit performance plans that cover all significant programs and activities. At a minimum, agency heads and their managers should establish performance measures for all programs defined in the performance-based budgeting structure.
5. The City Administrator and the governing bodies for independent agencies should require agency personnel under their supervision to collect and report data for all of the performance measures included in annual performance plans. To hold agency personnel accountable for collecting and reporting data, the City Administrator and independent governing bodies should regard a performance goal as not met if an agency fails to collect and report data for that measure.⁶¹ This policy would give agencies an incentive to invest more time and attention in designing and selecting appropriate performance measures.
6. The City Administrator and the governing bodies for independent agencies should require agencies to justify and receive written approval to change performance measures and goals, in order to promote accountability for results and ensure that trends can be tracked over time. To prevent the gaps in performance reporting that arise from frequent shifts in performance measures, the Office of the City Administrator and the governing bodies for independent agencies should require agency personnel to collect data on a new measure for at least one year until the old measure is fully phased out.
7. The Office of the City Administrator should provide technical assistance and coordinate training for agency staff involved in setting performance goals, tracking performance, and reporting results. A particular focus of technical assistance and training, which could rely on external sources such as local universities, should be helping agencies develop more outcome-oriented measures of performance and set more meaningful performance targets.
8. The inter-agency Performance Management Council should be revived to serve as a forum for technical assistance, allowing agencies with solid performance measurement systems to provide additional assistance and guidance to other agencies.⁶²
9. The Office of the City Administrator, with the assistance of the Office of the Chief Financial Officer, should publish a comprehensive and user-friendly guidebook to performance

⁶¹There could be an exception for agencies that can justify why the data could not be collected, such as a prohibitively high cost of collecting the data.

⁶²This recommendation draws on the experience of Fairfax County, which has a 16-member “Performance Measurement Team,” comprised of staff from the Department of Management and Budget and major operating agencies, who assist agencies throughout the government in improving their performance measures.

management in the District government, similar to Fairfax County Measures Up: A Manual for Performance Measurement, now in its Tenth Edition.⁶³

10. The Department of Human Resources' Workforce Development Administration should establish a training class dedicated exclusively to performance measurement, supplementing the class presently offered in performance-based budgeting. Training in performance measurement should be made part of the mandatory annual training in management and supervisory skills required for employees who are part of the Management Supervisory Service.⁶⁴
11. Agencies should continue expanding their use of performance measures that provide external assessments of performance by independent, objective individuals or groups. In particular, agencies should expand their use of resident or customer surveys,⁶⁵ as well as trained observer ratings, in order to increase the integrity of the performance data and draw on information from multiple sources.
12. Agencies should set ambitious but achievable performance targets by examining trends in past performance, the performance levels attained in other jurisdictions (particularly in other urban or regional jurisdictions), performance standards set by relevant professional associations, and standards set by federal or local law. In addition, agencies should cease the

⁶³Fairfax County Measures Up covers the benefits of performance measurement; the growth of the Fairfax County performance measurement system; the links among strategic planning, performance measurement, and managing for results, the terminology of performance measurement, a four-step methodology for establishing performance measures, the characteristics of a good performance measurement, guidelines for calculating efficiency measures, and other topics.

⁶⁴The Management Supervisory Service (MSS) is a personnel classification for District government managers. The D.C. Official Code states that, "There is established within the District government the Management Supervisory Service to ensure that each agency has the highest-quality managers and supervisors who are responsive to the needs of the government" (see D.C. Official Code § 1-609.51). MSS employees are required to, "maintain and enhance his or her management and supervisory skills and to attend requisite training courses every year as prescribed by the personnel authority" (see D.C. Department of Human Resources, District of Columbia Personnel Manual, Chapter 38, Section 3815.1).

⁶⁵Fairfax County describes a number of ways to obtain feedback from residents besides designing a statistically-valid survey. Postage-paid response cards, containing fewer than 10 questions, represent one option. Agencies can also post brief questionnaires on their Internet sites. Agencies or programs with a service counter can offer questionnaires at the point of service, or provide a computer workstation where residents can respond to a survey and provide comments. Other options include telephone surveys, mail surveys, and "secret shoppers" who use the services and report on their experience. See Fairfax County Department of Management and Budget, Fairfax Measures Up: A Manual for Performance Measurement, pp. 29-31.

practice of setting performance targets that are lower than actual performance in prior years, unless there is a compelling rationale such as a substantial reduction in funding.

13. The City Administrator should establish and enforce quality control and data verification standards for the District government's performance system. The standards of quality control should require agencies to define each performance measure, describe the source of the data, identify who collected and recorded the data, document the timing of the data collection, and state how the summary statistics were calculated. Agencies should retain adequate documentation for all performance data included in annual performance reports.
14. The City Administrator and the governing boards of independent agencies should require agency directors to state in writing that they have reviewed the data in their annual performance reports and certify the accuracy of the data.
15. Agency performance reports with measures that show changes on a percentage basis should also include the original and new levels of performance to allow policymakers and residents to interpret the impact of the percentage change.
16. The Mayor and City Administrator should develop a separate format for reporting performance information that allows the Mayor to present performance highlights, display data in forms that are user-friendly and understandable to the public, and explain the reasons for performance results. Although it is useful to include performance information in the District's budget documents, the budget should not be the sole format for presenting performance data because the scope of information that can be included is too limited. The annual New York City Mayor's Management Report and Prince William County's annual Service Efforts and Accomplishments Report offer useful models for detailed reporting and discussion of performance trends that promote accountability and inform the public.
17. The Mayor, City Administrator, Council, and Chief Financial Officer should require agency heads to justify all budget increase requests in terms of explicit performance outcomes. Independent agency heads should adopt the Mayor and City Administrator's policy of linking individual employee evaluations to agency performance goals.
18. The Mayor and Council should review the performance-based budgeting law to determine the appropriate role that strategic planning and performance-based budgets will play in the District's performance management system.

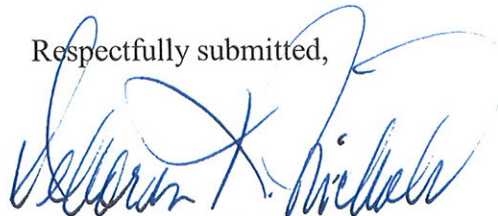
CONCLUSION

The District's performance measurement system is in a state of transition as a new administration implements changes in performance management and accountability. The administration has infused the performance measurement system with clearer direction and made performance accountability a high priority. Performance measures are more relevant, having been tied to key objectives and initiatives of each agency. Another important step forward has been an increase in public information and transparency, reflected in the establishment of a performance measurement web site with a wealth of information. The executive branch is also expanding the use of customer surveys to involve residents in assessing performance – an important and more objective supplement to data reported by the agencies.

At the same time, the current system falls short of best practices in a number of ways. The Auditor commends the executive branch for seeking to focus the performance measurement system on key indicators, but observes that very large agencies such as the Metropolitan Police Department, the D.C. Public Schools, and the Department of Health probably require more measures than the 10 to 12 key indicators that the administration has recommended as a guideline for all agencies. Agency performance measurement systems also omit some high-priority indicators such as wages and job retention for training program participants, and the percentage of elementary and secondary school students attaining proficiency in English and mathematics. Although data on these indicators are tracked by the relevant agencies, the Auditor believes that key outcomes should be highlighted in agency performance plans and reports.

Greater stability in performance measures is also needed to facilitate the tracking of trends in performance. One particularly troubling statistic was that only one of the 39 performance measures in DOH's FY 2006 performance plan was still being used two years later, limiting the ability of policymakers and residents to monitor trends in health outcomes over time. Additional challenges include quality control and data verification, and integrating performance measurement into the functions of planning, managing, and budgeting.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Deborah K. Nichols", is written over a faint circular stamp.

Deborah K. Nichols

District of Columbia Auditor

APPENDICES

APPENDIX A

DOCUMENTS REVIEWED FOR BEST PRACTICES RESEARCH ON PERFORMANCE MEASUREMENT AND ACCOUNTABILITY

- David Ammons, Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards (Thousand Oaks, CA: Sage Publications, Inc., 2001)
- Commonwealth of Virginia, Department of Planning and Budget and Council on Virginia's Future, Performance Measurement Workshop: Refining Agency Measures (2006)
- Fairfax County Department of Management and Budget, Fairfax County Measures Up: A Manual for Performance Measurement, Tenth Edition (2006)
- Harry P. Hatry, Performance Measurement, Second Edition (Washington, D.C.: The Urban Institute Press, 2006)
- Blaine Liner, Harry P. Hatry, Elisa Vinson, Ryan Allen, Pat Dusenbury, Scott Bryant, and Ron Snell, Making Results-Based State Government Work (Washington, D.C.: The Urban Institute Press, 2001)
- Texas State Auditor's Office, Legislative Budget Board, and Governor's Office of Budget and Planning, Guide to Performance Measure Management, 2000 Edition (1999)
- U.S. General Accounting Office, Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO-GGD-96-118,1996)

APPENDIX B:

REPORTS ON PERFORMANCE MEASUREMENT IN THE DISTRICT OF COLUMBIA

- Office of the Inspector General, Audit of Contract Performance Measures and the Mayor's Scorecard Measures (Audit Report No. OIG-00-2-12MA, March 2001).
- U.S. General Accounting Office, Comments on Fiscal Year 2000 Performance Report (GAO-01-804, June 2001)
- U.S. General Accounting Office, District of Columbia: Performance Report Reflects Progress and Opportunities for Improvement (GAO-02-588, April 2002).
- U.S. General Accounting Office, District of Columbia: Performance Report Shows Continued Progress (GAO-03-693, May 2003).
- Office of the Inspector General, Audit of Fiscal Year 2003 Agency Performance Measures and Key Results Measures (OIG Report No. 04-1-03MA, June 2004).
- U.S. General Accounting Office, FY 2003 Performance Report Shows Continued Improvements (GAO-04-940R, July 2004)
- Office of the Inspector General, Audit of Selected District Agency Key Result Measures (OIG Report No. 05-1-06MA(b), August 2006).
- Dana Breil, Joanna Choi, Douglas Goodwin, Nick Sterganos, and Richard Timme, District of Columbia Performance Management Program Evaluation (senior capstone applied research project in the George Washington University School of Public Policy and Public Administration, Fall 2006).
- Office of the City Administrator, Center for Innovation and Reform, Annual Report on Performance Management in the Agencies (December 2006)

AGENCY COMMENTS

AGENCY COMMENTS

On February 27, 2008, the Office of the District of Columbia Auditor submitted this report in draft form for review and comment to the Office of the City Administrator, the Office of the Chief Financial Officer, the Office of Budget and Planning, the Department of Employment Services, the Metropolitan Police Department, the D.C. Public Schools, the Department of Health, and the Department of Public Works.

The Auditor received written comments from the Office of the City Administrator, representing its own perspective as well as the views of the Metropolitan Police Department, the Department of Health, and the Department of Public Works. The Auditor also received comments from the Office of the Chief Financial Officer, which incorporated the views of the Office of Budget and Planning. The Auditor did not receive any comments on this report from the Department of Employment Services or the D.C. Public Schools.

As appropriate, the Auditor made changes to the final report in light of these comments. The written comments received by the Auditor are attached in their entirety, along with the Auditor's response to the comments.

AUDITOR'S RESPONSE TO AGENCY COMMENTS

The Auditor appreciates the constructive comments on a draft of this report that were provided by the Office of the City Administrator (on its own behalf as well as that of the Metropolitan Police Department, the Department of Health, and the Department of Public Works), and the Office of the Chief Financial Officer (which includes the perspective of the Office of Budget and Planning). The Auditor made revisions to the final report, based on these comments, and also offers the following response to the agency comments.

Office of the City Administrator Comments

1. The OCA stated that, "We found the reports, particularly the first report, to not provide an adequate context for how problematic the system was that this administration inherited," adding that, "We could not, when we began reforming this system 14 months ago, fix all of its problems in our first year." The Auditor believes that the report reflects the deficiencies of the performance measurement system as of January 2007. For example, the review of prior audit work on performance measurement and accountability cites the range of problems that were cited in external reports issued through the end of 2006. The state of the performance measurement system as of the end of the previous administration is also discussed in the finding that, "The new administration has infused the performance measurement system with clearer direction and made performance measurement accountability a higher priority."
2. The OCA stated that it dealt with the tradeoff between breadth and depth by trying "to provide the Council and the public with more performance data, but report fewer and more meaningful Key Result Measures." The Auditor is sensitive to this tradeoff, but reiterates the concerns expressed in the report about the difficulty of measuring performance in complex agencies like MPD, DCPS, and DOH with only 10 to 12 measures.
3. With regard to the stability of performance measures, the OCA noted that, "Stability offers credibility and enables more meaningful analysis. We should not, however, insist on stability for its own sake." The Auditor agrees with this point, but reiterates that the concern about stability reflects a rate of change in performance measures that prevents any trend analysis and limits accountability. The most vivid example of this instability, cited in the report, is the Department of Health, which in two years discarded 38 of the 39 measures from its FY 2006 performance plan.
4. The OCA highlighted the need for independent agencies to participate fully in performance management, and called on the OCFO, "to maintain a performance program integrated with the budget process." The Auditor shares these concerns, and most of the Auditor's recommendations are directed not only to the OCA, but also to the governing boards of independent agencies, reflecting their important role in developing an effective system of performance measurement.

5. The OCA stated its intent to submit performance plan information with the Mayor's annual budget request, but added that, "We might, however, consider requiring the submission of a performance plan draft with the submittal of the budget to Council. We feel it is more insightful to finalize plans only after budget decisions have been made." The Auditor believes that this approach has merit, and notes that the GMAA envisions this kind of revision, stating that, "Any change in resources or reprogramming within the agency shall require appropriate revision to the performance plan by the agency" (see D.C. Official Code § 1-614.12(f)).

Office of the Chief Financial Officer Comments

1. The OCFO pointed out that, "attainment of breadth and balance" in a performance measurement system should consider "the reality of resource constraints and the demands of proper oversight and be done against the backdrop of a cost-benefit analysis." The Auditor agrees with this point, and has emphasized the features of feasibility and balance as essential to an effective system of performance measures.
2. The OCFO stated that a manual on Performance Measure Data Collection, which is discussed in this report, "was written and distributed by the City Administrator's office charged with PBB implementation." Nevertheless, the names of both offices are on the front page of the document as the sponsoring organizations, and are also listed together throughout the document.
3. In response to the Auditor's statement that the OCFO's Budget Development and Execution program was deemed as having "exceeded expectations" in the fiscal year 2007 performance report, even though none of the four performance targets for the program were met, the OCFO noted that this rating was made by the Office of the City Administrator. The Auditor has reflected this point in the final report.
4. In response to a statement in the draft report that, "There is no central review function performed by the Office of the City Administrator or the OCFO," the OCFO stated that, "Review of source data integrity would better be done at the agency site and completed as part of a comprehensive validation process." The Auditor agrees with this point, and has reflected it in the final report. One of the Auditor's recommendations is that, "The City Administrator and the governing boards of independent agencies should require agency directors to state in writing that they have reviewed the data in their annual performance reports and certify the accuracy of the data."
5. The OCFO expressed the view that the selection of efficiency measures and development of data collection methods, "must be coordinated through the City Administrator's Office." The Auditor agrees that it is important for the OCA and the operating agencies to play a lead role in selecting and defining efficiency measures, and has modified the language in the final report to focus on the important role that the Office of Budget and Planning (part of the OCFO) should play in helping agencies develop and calculate (rather than select) efficiency measures.

GOVERNMENT OF THE DISTRICT OF COLUMBIA



Office of the City Administrator

MEMORANDUM

TO: Deborah K Nichols, Esq.
District of Columbia Auditor

FROM: Kevin Donahue
Office of the City Administrator

DATE: March 7, 2008

SUBJECT: Response to Audit Reports Dated February 26, 2008 and February 27, 2008

During the week beginning Monday February 25, 2008, the Office of the City Administrator received two separate reports from the DC Auditor on the District's performance management program. The first deals specifically with the city's compliance with the Government Managers Accountability Amendment Act (GMAA) of 1995, while the second focuses on the District's performance management program more generally. Given that the two reports overlap greatly in their scope and recommendations, and that they were delivered a mere two days apart, this letter serves as a response to both reports. I write it on behalf of the City Administrator, and also on behalf of the Department of Health, the Department of Public Works, and the Metropolitan Police Department, whose performance reports were a focus of the Auditor, and whose performance measure revisions were done at the request of the Office of the City Administrator.

I want to thank the Auditor for taking the time and effort that you and your staff dedicated to examining the city's performance management program. Let me state up front that we agree with many of the audit's major findings and plan to implement nearly all of its recommendations. In fact, well prior to this audit, during 2007, we had come to many of these same conclusions and articulated them to the Auditor two months ago. The administration takes seriously the requirements of the GMAA, as it does the value of performance data in decision making. In fact, as one of the hallmarks of his first year, Mayor Fenty launched the CapStat program, with the express intention of constantly using performance data to govern the city, not just as data to be periodically collected and reported.

We also appreciate the Auditor's recognition that the Fenty Administration is infusing "the performance management system with clearer direction" and making it "a higher priority." The Auditor also recognized that the administration is making a transition to a "more transparent and informative" system that is attempting to make measures "more ambitious" and implement best practices around the use of external assessments.

We have accepted this audit in the spirit with which we believe it has been written: to identify areas to improve government accountability and recommend approaches for reform. We look forward to working with the Auditor as a partner in reform. There are, however, a few points of concern on major issues in the report, one general point and three more specific issues.

Let me start with the more general concern: we found the reports, particularly the first report, to not provide an adequate context for how problematic the system was that this administration inherited. When the Fenty Administration took office, we inherited a performance management structure that was nearly a decade old. To be fair, at the time the GMAA was implemented it was considered a best practice concept, but to remain so would have demanded sustained attention and periodic updates as thinking in the field evolved. This did not happen.

For many years our performance measurement system was working better in theory than in practice. Measures rarely aligned with community outcomes and targets rarely posed a serious challenge to agencies achieving them. Official measures almost never made it into decision-making forums and the process for updating measures was so cumbersome that some agency directors began tracking a separate scorecard internally. The city's Strategic Business Plans became ignored, or worse maligned, by agencies because they neither conveyed a strategy nor a plan of any kind. A Hyperion reporting system, costing millions, was built only to be shut down within months.¹ Even legislated external auditing requirements were not consistently met. We raise all of these issues, as we did prior to the issuance of these reports, to provide a more complete picture of the difficult challenge we face.

We could not, when we began reforming the system 14 months ago, fix all of its problems in our first year. Where we began reform – and where we have made our most substantive improvements – is in making performance data relevant to the decision making process through the CapStat program and its website. During hour-long CapStat sessions, the Mayor and senior staff from relevant agencies take an in-depth look at a single issue. The heart of the discussion is a careful examination of performance data relevant to the single issue, which serves as the point of departure for a conversation about how the District can more effectively address the issue at hand. We relentlessly track commitments made during these sessions and repeatedly come back to a few core issues until the Mayor sees demonstrable improvements.

In the 14 months since the CapStat program's inception, we have held more than 125 sessions, 53 convened by the Mayor and more than 75 convened by the City Administrator. By contrast, the DC-Stat program, CapStat's predecessor in the Williams Administration, conducted a mere 9 sessions in its 18-month existence. The Mayor attended none of these meetings.

The Fenty Administration's Reforms

The Fenty Administration has implemented a large number of reforms in the structure and use of performance management in the District, and plan for more reforms that include the Auditor's recommendations, but also go well beyond them. The following text boxes highlight changes we have made, and changes that we plan to make.

Changes Made to: Measures and Targets

Implemented Reforms

- ☒ Created "Initiatives" in performance plans that capture what is truly "new, better, or different" during a fiscal year
- ☒ Increased targets to reflect actual performance
- ☒ Revised performance measures to make them more reflective of core operations and critical outcomes
- ☒ Began to reduce the sheer volume of "key" performance measures
- ☒ Balanced this reduction by expanding access to information regarding operations and performance in the District generally by launching the CapStat website
- ☒ Began seeking public feedback of service quality and timeliness

Planned Reforms

- ☐ Continue to focus reform measures in line with best practices
- ☐ Categorize measures by: outcome, output, workload, and efficiency to create a balanced scorecard approach
- ☐ Require that all agencies track basic financial and personnel measures that are common across all agencies
- ☐ Mandate that performance targets must be equal to or greater than

¹ To my knowledge, this system cost anywhere from \$5 million to \$10 million and was not used for even a single fiscal year.

Mayor Fenty has repeatedly held CapStat sessions on topics as wide-ranging as violent crime, homelessness, snow removal, customer service, and energy efficiency. Again, at the core of CapStat is the idea that accurate, compelling data about performance needs to serve as the factual foundation for tough policy decisions. From these sessions, the Mayor made and has tracked commitments to provide housing to families in DC Village, create 10,000 affordable housing units, institute focused improvement areas, and reduce the city's fixed costs. The list goes on and on, and is made accessible to the public on the CapStat website.

Perhaps our most interesting innovation to the performance plans themselves was not so much in the measures, which was the focus of the audit, but was in the inclusion of "Initiatives" into all Mayoral agency plans. Initiatives are short descriptions that tell Council and the public how and in what ways an agency is going to improve its services to the residents. As simple as this reform sounds, it is nevertheless the first time performance plans have told a story to the public, in language they understand, on issues they care about, and in enough detail that they can hold the agencies accountable for follow-through.

The innovations that the CapStat program created in performance management has also attracted attention from other jurisdictions and best practice researchers. Staff from a number of jurisdictions, including Philadelphia's new mayor and Montgomery County's new county executive, have attended sessions and are modeling their "Stat" programs on the District's. Furthermore, the Government Finance Officers Association, one of the organizations that the Auditor notes as an outstanding resource for performance information, has asked someone from the CapStat team to teach at an all-day workshop during its next annual conference on how to integrate performance data into executive-level decision making.

These reforms did not come at the expense of official performance reporting. Rather, we will ultimately strengthen reporting compliance by engendering a culture that values performance data at the most senior level. Reforming the measures themselves and performance reports, however, is a task that will take us through FY08 to complete. The FY08 measures that the Auditor evaluated and the format of year-end reports will require an additional revision, as we had always planned.

The three specific areas of concern with the audit reports relate to the proper number of key measures to track, the tension between measure quality and measure stability, and the participation of independent agencies in the performance measurement process. The first of these areas involves our interpretation of "significant activities" and our definition of when we reach the point of having too many key result measures. Our goal is to provide Council and the public with more performance data, but report on fewer and more meaningful Key Result Measures. The Office of the City Administrator did, in fact, request a

Changes Made to: the Use of Measures

Reforms Implemented

- ☒ Instituted the Mayoral CapStat program
- ☒ Instituted a City Administrator CapStat program
- ☒ Put a moratorium on bonuses and pay-for-performance salary adjustments until we have an evaluation system with strict "grade inflation" controls and clear ties between employee and agency performance plans
- ☒ Built a capacity within the Office of the City Administrator to focus more intently on performance management

Reforms Planned

- ☐ Continue to expand and improve CapStat program
- ☐ Adapt the federal OMB Performance Assessment Rating Tool (PART) to District government assessments of agency "Initiatives"
- ☐ Require that employee evaluations to be linked to agency objectives
- ☐ Conduct year-end agency performance evaluations prior to employee evaluations
- ☐ Connect the average employee evaluation score at an agency to that agency's overall performance
- ☐ Create a training program that educates agency staff about performance management
- ☐ Create new "performance measures profiles" that describes the definition, purpose, data source, and validation of each performance measure
- ☐ Conduct spot validations of the accuracy randomly selected performance measures

number of changes in agency performance plans. As noted previously, this task began in the summer of 2007 and will be completed in the summer of 2008, as we learn from feedback such as these audit reports regarding our initial changes.

Our intent in reducing the number of key result measures is to focus the attention of oversight officials, the public, and the executive on a manageable and digestible number of high-quality measures. Yes, as the reports highlight, there needs to be a balance between too many measures and too few, but a drastic expansion would dilute their value, and risk turning the process back into a paperwork exercise. Take for example agency management, an area of great concern to the Auditor. There are about 12 Activities within the Agency Management Program.² If the 79 budgeted agencies were to have one key result measure for each agency management activity, the result would be nearly 1,000 measures citywide just for agency management. If we track 2 or 3 measures per activity for all programs, the District could find itself reporting on close to 10,000 measures.³

Make no mistake: agency directors and the City Administrator examine a tremendous amount of performance data to evaluate their operations, including detailed agency management information. The fact that not all of this data is classified as a "key" performance indicator does not mean it gets ignored or does not exist, though we do want to share it with the public. We have been breaking new ground as a government and in the field of performance management, using the Citywide Data Warehouse and data reports on the CapStat website to expand the amount of data to which Council and the public have access.

Nevertheless, a balance needs to be struck, and we are willing to forge one. But, we need to be very careful to weigh the costs of each approach. Prior to making changes, we intend to assess the financial investment required to create a more comprehensive structure, and prior to accepting a new performance measure, assess the likelihood of a measure leading to discussion and decisions.

Another concern that we want to highlight is the issue of performance measure stability. We agree with the Auditor that stability offers credibility and enables more meaningful analysis. We should not, however, insist on stability for its own sake. If performance measures are deficient, we should replace them. When the District adopted performance-based budgeting, it created a large set of new measures in a relatively short timeframe, which was followed by a period of stability. Given our own assessment, as well as that of the Auditor, it is likely that additional improvements are needed before we return to another period of stability.

Changes Made to: the Availability of Data

Reforms Implemented

- ☒ Created a CapStat website that includes:
 - Agency performance plans, including initiatives, available to the public at the beginning of the fiscal year
 - CapStat telecasts via Channel 16 and on-demand video
 - Expanded access to RSS feeds
 - Agency performance measures
 - Issue-specific performance data on a rotating series of topics
- ☒ Sought public input and ideas to improve DC government performance

Reforms Planned

- ☐ Revise the format of performance reports to make them more readable and cross-cutting
- ☐ Create a Web-based portal for reporting performance data to reduce the risk of data entry errors
- ☐ Place performance data information on the Web, available to the public throughout the year
- ☐ Place geographic performance data available on Google Earth maps for easier public viewing

² Personnel, training and employee development, contracting and procurement, property management, information technology, financial management, risk management, legal, communications, customer service, language access, and performance management, though not every agency has an identical set.

³ There are between 35 and 50 activities for most agencies.

Finally, we would also like to highlight – as do the audit reports – the need for entities that do not report to the Mayor, but still require oversight from Council, to fully participate in performance management. The Office of the City Administrator experienced great difficulty achieving consistent performance reporting from “independent” entities. This is all too apparent in the number of “no data reported” comments in the FY07 PAR reports. We also need for a full commitment by the Office of the Chief Financial Officer (OCFO) to maintain a performance program integrated with the budget process. The OCFO has reduced the number of staff dedicated to performance budgeting over the past several years, downsizing from three to four staff to now devoting one person, part-time, to the effort.⁴ Additionally, the OCFO’s cost-driver program, also a legislated mandate, has made slow progress given the time and resources that have been devoted to it, despite the promise it has to shed light on efficiency and operational performance.⁵ We would very much like to partner with this effort in creating efficiency targets.

Over the remainder of 2008, the Office of the City Administrator looks forward to continuing our progress to improve and reform the performance management program. We intend to implement the vast majority of recommendations provided by the Auditor and look forward to working with the Auditor and her staff in the future.

Overview of Recommendation Responses

Recommendations from the February 26, 2008 Report

Recommendation 1: Pertains to the submission of performance plans with agency budgets.

Response: We intend to submit performance plan information with budget submission. We might, however, consider requiring the submission of a performance plan draft with the submittal of the budget to Council. We feel it is more insightful to finalize plans only after budget decisions have been made. We want to also highlight that this administration puts “initiatives” at the heart of performance plans, and these are often linked to budget enhancements that require approval. By waiting until the budget is approved to finalize the performance plans, it may allow us to have measures that are more valid, significant, and fair, according to the Auditor’s application of those terms.

Recommendation 2: Pertains to submission of performance reports by January 15.

Response: We concur with this recommendation.

Recommendation 3: Pertains to ensuring plans cover all significant activities.

Changes Made to: Connecting Measures to Budgets

Reforms Implemented

- ☒ Created a quarterly review of budget implementation and performance in City Administrator-led CapStat sessions as described above.

Reforms Planned

- ☐ Require approved budget enhancement requests connect to a change (i.e., enhancement) in the agency’s performance plan.
- ☐ Examine budget enhancement requests based on what change they will have on the agency’s performance plan.
- ☐ Revise agency chapters of the budget book to more clearly highlight the goals and objectives of agencies.
- ☐ Require revisions to agency performance plans annually.
- ☐ Judiciously update and adjust performance plans throughout the year if events outdate initial expectations.

⁴ Several years ago, the OCFO devoted 3 or 4 people to performance budgeting. These individuals worked very closely the staff of the City Administrator and leadership at agencies to integrate performance plans and budget structures.

⁵ To my knowledge, the cost driver program has been limited to a very small number of agencies, and only one, Corrections, has been through the complete process.

Response: We intend to comply with our understanding of this requirement, and agree that the law could be made clearer on this point.

Recommendation 4: Pertains to expanding the scope of measures to include agency management

Response: We concur and have plans to expand this, balanced by the cautions noted in this response.

Recommendation 5: Pertains to expanding the scope of measures to include financial management.

Response: We concur and have plans to expand this, balanced by the cautions noted in this response.

Recommendation 6: Pertains to making measures more outcome-oriented.

Response: We concur, and will continue to make progress in this area.

Recommendation 7: Pertains to making use of efficiency measures.

Response: We concur, and will continue to make progress in this area. We also encourage the OCFO to participate actively in leveraging their cost-driver initiative for this purpose.

Recommendation 8: Pertains to adopting measures deemed as best practice.

Response: We concur, and have already begun this process.

Recommendation 9: Pertains to examining neighboring jurisdictions for useful practices.

Response: We concur, and have already begun this process.

Recommendation 10: Pertains to reporting data for all measures included in annual plans.

Response: We concur with this recommendation.

Recommendation 11: Pertains to creating a process that engenders stability in measures

Response: We concur with this recommendation, but intend to implement after we have completed our reforms to the measures themselves.

Recommendation 12: Pertains to linking specific employees to specific measures.

Response: We concur with this recommendation.

Recommendation 13: Pertains to clarifying ambiguities in the GMAA.

Response: We concur with this recommendation.

Recommendation 14: Consider creating/updating comprehensive performance budgeting requirements.

Response: We concur with this recommendation.

Recommendations from the February 27, 2008 Report

Recommendation 1: Pertains to sustaining attention toward performance management

Response: We concur and have always intended to sustain executive attention on performance management.

Recommendation 2: Pertains to improving measures themselves

Response: We concur with this recommendation and will continue to improve measures. We would underscore the cautionary notes made in the body of this letter.

Recommendation 3: Pertains to making use of efficiency measures.

Response: We concur, and will continue to make progress in this area. We also encourage the OCFO to participate actively in leveraging their cost-driver initiative for this purpose.

Recommendation 4: Pertains to ensuring plans cover all significant activities.

Response: We intend to comply with our understanding of this requirement, and agree that the law could be made clearer on this point. We would underscore the cautionary notes made in the body of this letter.

Recommendation 5: Pertains to reporting data for all measures included in annual plans.

Response: We concur with this recommendation.

Recommendation 6: Pertains to creating a process that engenders stability in measures.

Response: We concur with this recommendation, but intend to implement after we have completed our reforms to the measures themselves.

Recommendation 7: Pertains to expanding training and technical assistance in performance management.

Response: We concur with this recommendation.

Recommendation 8: Pertains to expanding use and meeting frequency of the Performance Management Council.

Response: We concur with this recommendation.

Recommendation 9: Pertains to creating a user manual.

Response: We concur with this recommendation.

Recommendation 10: Pertains to increasing training in performance management through DCHR.

Response: We concur, and will likely offer introductory training in performance management and more advanced technical assistance on an as-needed basis.

Recommendation 11: Pertains to expanding the use of external assessments.

Response: We have plans to sustain our innovations in this area and expand them.

Recommendation 12: Pertains to setting ambitious targets.

Response: We concur, have begun this change, and will continue to implement this policy.

Recommendation 13: Pertains to quality control and verification.

Response: We concur, and have plans to roll-out with changes to the measures themselves.

Recommendation 14: Pertains to requiring executive leadership certify the accuracy of reported data.

Response: We concur and will request it of agency Directors, through making use of electronic signatures, and will ask it of independent agencies.

Recommendation 15: Pertains to showing actual levels of performance when reporting percentages

Response: We will consider this recommendation strongly when we review measures, and will assess on a case-by-case basis.

Recommendation 16: Pertains to improving the readability and scope of performance reports.

Response: We concur with this recommendation.

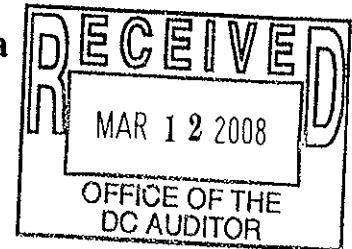
Recommendation 17: Pertains to creating stronger links between outcomes and budget requests.

Response: We concur with this recommendation.

Recommendation 18: Pertains to reviewing the laws around performance management and budgets.

Response: We concur with this recommendation.

Government of the District of Columbia
Office of the Chief Financial Officer



March 12, 2008

Ms. Deborah K. Nichols
District of Columbia Auditor
Office of the District of Columbia Auditor
717 14th Street N.W.
Suite 900
Washington, DC 20005

Dear Ms. Nichols:

Enclosed please find the Office of the Chief Financial Officer's combined response to the draft audit reports entitled "Performance Measurement System Needs Long-Term Stability and Commitment to Maximize Effectiveness" and "Compliance with the Government Managers Accountability Amendment Act of 1995 Has Been Incomplete and Inconsistent."

Thank you for providing us the opportunity to review the findings and recommendations before the final release of these reports. If you have any questions regarding these combined responses, please contact me at 202-727-2476.

Respectfully,

A handwritten signature in black ink, appearing to read "Angel Jacobs".

Angel Jacobs
Director of Operations

Enclosure

This is in response to a draft DC Auditor's report entitled "*Compliance with the Government Managers Accountability Act of 1995 Has Been Incomplete and Inconsistent*" received by the Office of the Chief Financial Officer. This will briefly look at findings and recommendations that pertain to the OCFO as an operating agency within the DC Government.

The auditor's finding "District government agencies have often failed to state measurable, objective performance goals for all significant activities in their annual performance plans" singles out agency financial operations as a neglected area. While the auditor does state that the OCFO reported that their financial operations measures applied to the entire government, the finding implies that each agency should have performance measures for financial functions. It is emphasized throughout the report that performance measures should be used more for management decisions. We would like to stress that the agency financial operations functions are under the management of the OCFO. Other agencies should not be burdened with measures on activities for which they are not directly responsible and do not control.

The auditor's finding "Chronic management problems not reflected in Agency performance measures" focuses on using performance measurement as a tool in helping resolve program and financial management problems. Specifically the auditor states that the financial operations measures could be strengthened. Several current measures are very process oriented measuring such things as reprogrammings, FRPs and closing package submissions. We note that these processes ensure the reliability of the financial data and assist OCFO personnel in managing the financial function.

The auditor has further findings on outcome versus output oriented performance measures and other measures of limited value. The OCFO is working to revise its measures to better reflect management goals and will incorporate the comments of the auditor, especially in the notes on efficiency measures, in this endeavor.

The auditor has findings on compliance, noting it declined for most sample agencies between FY06 and FY07. Discussion in this section also includes comments about providing performance data after the initial report is due. This affects measures that are due before the CAFR is complete. The budget books cited used information collected from the City Administrator for its January report. While the OCFO does have the missing results, the book was not updated to include information not presented in the initial collection. We note this discrepancy and will take care that it does not happen for OCFO measures whenever it can be corrected. The auditor should note that results for agency management District-wide have been collected by the city administrator for all agencies each year since they were added in 2004.

We appreciate the opportunity to respond.

**Office of Budget and Planning's Response to
D.C. Auditor's letters dated February 26 and 27, 2008**

The Office of Budget and Planning has reviewed the two draft reports titled "*Compliance With The Government Managers Accountability Amendment Act of 1995 Has Been Incomplete and Inconsistent*" and "*Performance Measurement System Needs Long-Term Stability and Commitment to Maximize Effectiveness*". We appreciate the opportunity to respond, and we generally agree with the findings. Since both reports overlap into the areas we are commenting on, we have prepared one response for both reports.

Both reports attempt to reconcile a performance management process that is found in two places within the D.C. Official Code, the Government Managers Accountability Amendment Act of 1995 (GMAA) and the Performance and Financial Accountability Act of 2001, which implemented the Performance Based Budget (PBB) system. In Appendix A of each report, the Auditor lists documentation used to establish best practices in performance management and accountability. With the exception of the Government Accountability Office guide, each reference listed was published after the implementation of the GMAA and the PBB legislation. In the case of the GMAA, most documents were published 10 years after GMAA implementation. Clearly the school of thought on effective performance management has advanced, and our body of law should reflect the benefits of hindsight and lessons learned in the field. We fully agree with recommendations 13 and 14 of the "*Compliance with...*" report and recommendation 18 in the "*Performance...*" report that call for a Mayoral and legislative review. We also fully agree with recommendation 9 found in the "*Performance...*" report that calls for the publication of a performance management handbook, and we further suggest that this handbook be updated after any legislative updates.

The reports also highlight the need for a universal management process. We agree with this conclusion, as there is a significant need for a performance management process across all entities that receive funding from District of Columbia taxpayers. It is a reasonable expectation of our residents that there be a governance mechanism for every entity that receives public funding, regardless of whether the entity reports to the Mayor or is considered an independent entity. The current practice separates agencies into those that submit a performance plan and those that do not. For non-performance plan agencies, there is no governance process for the approval of performance measures or the collection of a performance plan. A universal process that facilitates all recipients of public funding, backed by the support of the Council, is entirely appropriate.

The "*Performance...*" report on page 17 concludes that the Fenty administration has implemented too few measures and goes on to recommend additional measures to achieve "breadth and balance." We recommend that attainment of breadth and balance considers the reality of resource restraints and the demands of proper oversight and be done against the backdrop of a cost benefit analysis. Monitoring and maintaining measures, which should be a routine function, does require resources at the Council, Mayoral and agency levels.

We appreciate the opportunity to respond. Any questions should be directed to Michael Sheaffer, Budget Analyst, 727-1099.
OBP comments on findings and recommendations in the "*Compliance with the Government Managers Accountability Amendment Act of 1995*" draft audit report dated February 26, 2008.

Findings:	Page #	Comment
Oversight by agencies such as the Office of the City Administrator and the Office of Budget and Planning tends to emphasize compliance...	11	We acknowledge that the entire performance management process requires review and the role of all entities involved requires revalidation.
The performance measurement system needs to be more closely linked to strategic planning and budgeting.	11	Recommend that we look towards best practices at other municipalities and incorporate into the legislative update in order to accomplish this goal.

Recommendation:	Page #	Comment
Agency directors and their senior managers should begin implementing efficiency measures, drawing on the hundreds of efficiency measures that have been developed in agency strategic business plans, as a way to show how well they are using resources and provide useful information for the annual budgeting process. The Office of Budget and Planning should help agencies select efficiency measures and develop the necessary data collection methods and calculations.	36	The Office of Budget and Planning is the District's independent central budget office charged with the development, formulation and execution of the District's fiscal budget. The basis of assisting agencies in selecting efficiency measures and developing data collection methods must be coordinated through the City Administrator's Office.

OBP comments on findings and recommendations in the "*Performance Measurement System Needs Long-Term Stability and Commitment to Maximize Effectiveness*" draft audit report dated February 27, 2008.

Findings:	Page #	Comment
Several officials stated that there had been a number of training sessions jointly led by the Office of the City Administrator and the Office of Budget and Planning four to six years ago when performance-based budgeting was first being implemented, but that training had since waned.	19	The Office of Budget and Planning holds several training sessions each fiscal year on the District's budget process, including Performance-Based Budgeting. These training programs are sponsored by the Center for Workforce Development.
The Office of the City Administrator and the Office of Budget and Planning (OBP) issued a five-page manual on Performance Measure Data Collection in July 2003, but the Auditor found that this guidance was no longer being used.	20	The original manual on Performance Measure Data Collection was written and distributed by the City Administrator's office charged with PBB implementation. The City Administrator's Office has consistently maintained oversight, both structurally and governance, of the performance management process since its inception.
In the OCFO's FY 2007 report, the agency was deemed as having "exceeded expectations" for its Budget Development and Execution program, yet none of the four performance targets for the program were met.	24	This overall performance assessment was assigned by the CA's office.
... data verification... There is no central review function performed by the Office of the City Administrator or the OCFO.	25	Review of source data integrity would better be done by an audit at the agency site and completed as part of a comprehensive validation process.

OBP comments on findings and recommendations in the *"Performance Measurement System Needs Long-Term Stability and Commitment to Maximize Effectiveness"* draft audit report dated February 27, 2008, continued.

Recommendations:	Page #	Comment
Agency directors and their senior managers should begin implementing efficiency measures, drawing on the hundreds of efficiency measures that have been developed in agency strategic business plans, as a way to show how well they are using resources and provide useful information for the annual budgeting process. The Office of Budget and Planning should help agencies select efficiency measures and develop the necessary data collection methods and calculations.	32	The Office of Budget and Planning is the District's independent central budget office charged with the development, formulation and execution of the District's fiscal budget. The selection of efficiency measures and developing data collection methods must be coordinated through the City Administrator's Office.
The Office of the City Administrator, with the assistance of the Office of the Chief Financial Officer, should publish a comprehensive and user-friendly guidebook to performance management in the District government, similar to Fairfax County Measures Up: A Manual for Performance Measurement, now in its Tenth Edition.	33	We agree with the need for a guidebook. Once the guidebook is written by the CA's Performance Management staff, the OCFO stands ready to work with the City Administrator on the publishing of any comprehensive guidebook for performance management in the District.