

SECTION 232 -- WHAT DOES THE ANNUAL PROGRAM PERFORMANCE REPORT CONTAIN?

232.1 The required elements of an annual program performance report.

Summary of Requirement: An annual report must compare actual performance with the projected levels of performance set out in an annual performance plan. When a projected performance level is not met, the report includes an explanation for not achieving a goal(s), and describes steps for meeting the goal(s) in the future. The report also assesses the effect of past year performance on current year performance levels. Annual reports for fiscal year 2000 and subsequent years will progressively cover additional years until the annual report contains at least four years of actual performance information.

Your annual report must include the following elements:

- C A comparison of your actual performance with the projected levels of performance as set out in the performance goals in your annual performance plan (see section 232.4);
- C An explanation, where a performance goal was not achieved, for why the goal was not met (see section 232.6);
- C A description of the plans and schedules to meet an unmet goal in the future, or alternatively, your recommended action regarding an unmet goal where you have concluded it is impractical or infeasible to achieve that goal (see section 232.7);
- C An evaluation of your performance plan for the current fiscal year, taking into account the actual performance achieved in the fiscal year covered by your report (see section 232.8); and
- C Eventually, actual performance information for at least four fiscal years (see section 232.9)

232.2 Other features of the annual program performance report .

Summary of Requirements: When applicable, the annual report summarizes the findings of any program evaluations completed during the fiscal year and describes the contribution of non-Federal parties in the preparation of the report.

The following elements and features of an annual report may selectively apply to your agency. Any that do not apply are omitted from your annual report.

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(a) Program evaluations.

Include a summary of the findings and recommendations of the program evaluations completed during the fiscal year. If no evaluations were completed, the report should note such.

At a minimum, an annual report covers two types of program evaluation: assessments of the manner and extent to which programs achieve intended objectives, and assessments of program implementation policies, practices, and processes. An agency's strategic plan sets out its schedule for doing program evaluations. Changes to this schedule are shown in the interim adjustment to the strategic plan. An interim adjustment may be prepared annually and is a separate part of the annual plan. (See section 210.11 on program evaluations generally, and also see subsection 210.2(d) regarding interim adjustments to a strategic plan.)

An annual report may also summarize findings and recommendations from other analyses or studies completed during the fiscal year. These studies and analyses can include policy, program, or management analyses, comprehensive reviews, cost-benefit studies, research to provide baseline data, or demonstration research. These studies and analyses supplement program evaluations and are described in the annual plan. (See also subsection 220.5(f).)

The annual report should note the availability of a complete copy of a program evaluation and how this might be obtained by an interested party.

(b) Information on use of non-Federal parties.

GPRA states that preparation of an annual report is an inherently government function. Your agency's employees are solely responsible for the transmitted copy of an annual report. However, when preparing your report, your employees may be aided by non-Federal parties, such as consultants, grantees, contractors, States, and local governments. Assistance by non-Federal parties can include the collection and reporting of performance data. Your annual report must acknowledge and indicate any significant contribution by any non-Federal parties in its preparation. (See also section 220.6)

(c) Classified appendices not available to the public.

An agency with a classified appendix for its annual plan may also prepare a similar classified appendix for its annual report. (See section 220.14 for a description of material that may be included in a classified appendix.)

With OMB approval, an agency may also prepare a non-public appendix for its annual plan. In the annual plan, a non-public appendix contains certain goals for law enforcement or revenue collection activities, where revealing these goals publicly would likely impede their achievement. Generally, agencies should not need to prepare a similar non-public appendix to their annual report. Retrospective reporting of actual performance for these particular goals should not interfere with achieving current or future goals for these activities. However, if an agency believes that reporting of actual performance will impede current or future goal achievement, a non-public appendix may be prepared. The agency should contact its OMB representative for approval prior to preparing such an appendix.

(d) Quality of the reported performance information.

The annual plan is the principal document for describing how an agency intends to verify and validate the performance data it collects and reports. In its annual report, an agency may describe particular characteristics, issues, or problems related to collection and reporting of actual performance information for the fiscal year covered by that report. The annual report description may cover data sources. (See section 220.12 on verification and validation.) A brief commentary on the general quality of the actual performance information contained in the annual report may be useful in portraying the accuracy or validity of this data.

An agency may selectively include comments on the quality of the actual performance data included in the annual report, where such comments would help in understanding the accuracy or validity of the data.

(e) Analysis of tax expenditures.

Tax expenditures represent revenues foregone -- such as through deductions or credits -- and are specified in the tax code. An annual report must include the results of any tax expenditure analysis the agency completed during the fiscal year. These analyses assess the effect of specific tax expenditures in achieving performance goals. Nearly every agency preparing an annual report for FY 1999 is unaffected by this reporting requirement, as current responsibility for preparing these analyses is very limited.

(f) Waivers of administrative requirements.

Section 5 of the Results Act allows agencies to receive waivers from administrative requirements and controls. These waivers are intended to provide managers and organizations with greater flexibility, discretion, and authority, in the expectation this will lead to improved performance. An agency receiving such a waiver must describe, in its annual report, the use of this waiver and assess its effectiveness in achieving performance goals. No waivers were authorized for FY 1999, and no agency annual report for FY 1999 will include this description and assessment.

232.3 Format

There is no prescribed format for the annual report. Your agency is encouraged to include, from your strategic plan, a summary of your mission statement and your general goals and objectives.

The annual report is your opportunity to communicate the results of your programs and activities to the American public, legislators, and Executive branch officials. Your agency should produce a report that is easily read and understood, and direct and concise in the information it conveys. While an annual report is not a matter of style substituting for substance, the mode of presentation can be critical to an informative report. Agencies are encouraged to write their report using plain language; see <http://www.plainlanguage.gov> for information.

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In your annual report, you may also include relevant budget information, consistent with the obligation amounts shown in the Budget Appendix for the fiscal year covered by the report. As resource amounts are generally covered in the means and strategies part of the annual plan, the annual report does not present comparisons between the amounts originally requested for a fiscal year and the amounts actually obligated.

232.4 Comparing actual performance to the performance goal target levels.

Summary of Requirement: The annual program performance report states the actual level of performance for every performance goal, and compares it to the target performance levels for these goals in the annual performance plan.

(a) In general.

Your agency's annual report compares the target level of performance for each goal as set out in your annual plan with the actual level of performance. The target levels are those shown in either the final plan or the revised final plan; whichever is the most current.

Your agency's annual report must state the actual performance for every performance goal in your annual performance plan. (See section 232.5 if actual performance information is not available when the annual report is submitted.)

Actual performance is reported as it occurred during the fiscal year covered by the report. For some programs, this performance may have resulted from spending prior year monies during the fiscal year. (See also section 220.10 on performance goals funded by prior year monies.) If the annual plan contains a goal(s) set on a calendar year basis, actual performance is also reported on a calendar year basis.

The annual report includes actual performance for any goals that were discontinued after the fiscal year covered by the report. Discontinued goals should be so noted.

For some performance goals, the target levels will differ between the final plan and the revised final plan. An agency may choose to compare its actual performance to both target levels, but this is not encouraged. Such a presentation may complicate the presentation of information in the annual report and likely necessitate an explanation for why at least one of the two target levels was not met.

(b) Omitting reporting on certain performance indicators.

An agency need not include actual performance information for a performance indicator if the performance goal(s) associated with the indicator(s) is directly measurable. If performance indicators are critical to determining whether a performance goal was achieved, the actual performance for these indicators must be presented. (See also subsection 220.9(b) for a further description on the use of performance indicators.) Reporting may be omitted only if, a performance indicator was so identified in the annual plan. If an agency

collectively categorized its performance goals and indicators as performance measures, or did not separately list performance goals and performance indicators, then such entries are treated as performance goals and must be covered in the annual report.

(c) Reporting on performance goals that were defined using the alternative form.

If the alternative form (i.e., a non-quantified measure) is used to define a performance goal in the annual plan, the annual report matches actual performance to the corresponding performance criteria set out in the form. The description of actual performance must allow an accurate, independent determination to be made of whether such performance met the criteria specified in the form, or how it otherwise compared to the goal as stated. (See section 220.15 on the alternative form of measurement.)

For some performance goals expressed in the alternative form, agencies are encouraged to include illustrative examples of achievements occurring during the fiscal year. Examples can highlight, in a tangible way, what results were produced. Examples may be particularly appropriate for research and development goals, where criteria may be generalized and results cannot be predicted beforehand. For these and other programs, the examples can also indicate the nature of the results considered by evaluators when gauging whether the criteria for a certain level of performance were met. Examples can reflect major accomplishments or a representative set of achievements.

232.5 Unavailability of actual performance information

Summary of Requirement: When performance data is unavailable at the time an annual report is prepared, the performance information, the comparison to performance goal target levels, and any appropriate explanation, is included in a subsequent year's annual report.

At the time a performance report is sent to the President and Congress, actual performance information may not be available, or the available information may be incomplete or preliminary. The annual report should identify those performance goals where actual performance information is missing, incomplete, or preliminary. For such goals, the annual report should indicate the approximate date when actual performance information, sufficient to make an accurate comparison with performance goal target levels, will be available.

If actual performance information for the fiscal year is unavailable for a performance goal, agencies are encouraged to include, for reference purposes, performance information for a preceding fiscal year. This information can be helpful in defining baselines or showing trends. For the annual report for FY 1999, relevant performance information for fiscal years 1998, 1997, or 1996 may be included. (See also section 221.2 on including actual performance information for these fiscal years in the annual plan.)

Future year annual reports will include performance goals for a fiscal year where the comparison between actual performance and target levels was deferred because of missing or limited performance data. For these performance goals, the presentation in the future year annual report must meet all applicable requirements,

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including an explanation for why a goal was not met. The future year annual report should set out, as a separate section, all the performance goals for which reporting of actual performance was deferred, and identify the fiscal year covered by any specific performance goal.

232.6 Providing an explanation for non-achievement of a performance goal

Summary of Requirement: The annual program performance report must include an explanation for why a performance goal was not met

(a) In general.

If a performance goal or indicator was not achieved, your annual report must explain why the target level was not met. The extent of your explanation may vary, depending on how non-achievement affected the program or activity.

You need not explain why the target level for a performance goal was exceeded. However, you are encouraged to include an explanation in your annual report if the target level was exceeded by a significant extent. This information can be useful in understanding a program or your management of that program.

(b) The specific explanation.

A specific explanation is included if goal non-achievement is significant and material. A specific explanation should show an understanding of why a performance shortfall occurred, and the consequences. The specific explanation should also support actions you are taking to eliminate or reduce future shortfalls for this goal. A specific explanation should not cover more than one unmet goal.

No hard and fast rule or threshold exists for when non-achievement of a goal warrants a specific explanation. The need for a specific explanation may depend on how precisely the performance target was set, the variance from previous year performance trends, and the relative effect of any shortfall. For example, a one percent deviation between actual and planned performance might be trivial or critical depending on the program.

Agencies may apply the following criteria when determining if a specific explanation is required. A specific explanation should always be provided if:

- C The manager(s) of the program, activity, or component experiencing a performance shortfall alerts or informs senior agency officials about actual performance levels, and the implications of these levels on overall program accomplishment; or
- C The manager(s) took or is taking substantive action to address the shortfall in performance; or
- C Performance levels for future years are being adjusted downward to reflect actual performance levels, or

C Outside parties will likely conclude that the non-achievement was significant and material.

(c) The generic explanation.

You must provide an explanation even if the difference between the goal target level and actual performance is slight. This explanation may be generic and used for several or more unmet goals. A generic explanation may not be used if an agency is changing the target levels for an underachieved goal, or is taking additional or modified steps to assure future goal achievement.

In most instances, minimal differences result from goals being set months in advance and to an approximate level of precision. An agency may use the following language for its generic explanation: the performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.

(d) Deferring an explanation.

An agency may defer providing an explanation where the performance data is preliminary, and, based on the experience of previous years, subject to significant correction. The deferral should be noted in the annual report. An explanation, if still needed, is provided in a future year performance report that includes the performance goal for which only preliminary data was initially available.

232.7 Agency plans and schedules for achieving an unmet goal in the future

Summary of Requirement: The annual program performance report describes the actions an agency will take to meet an unmet goal in the future, and a schedule for these actions. An agency may recommend that an unmet goal be modified or discontinued.

For every performance goal whose target level was not achieved, an agency includes a description of the actions it is taking to achieve the goal in the future. A schedule for these actions is also included. The actions and schedule may span both the current fiscal year and future fiscal years.

The actions and schedule should also be included in the means and strategies section of the agency's annual plan (see section 220.11). If an annual report is completed after the final plan, agencies may find it appropriate to use the means and strategies section of a revised final plan for this purpose. The description of these actions is not required for any unmet performance goal for which the agency provided a generic explanation (see subsection 232.6(c)).

A description of the actions being taken, and the accompanying schedule, may be omitted for an unachieved goal where external factors (such as a natural disaster) or entities (such as another country) were the sole cause for non-achievement, and the agency lacks the capacity or authority to affect these factors or entities. The effect of these external factors or entities on non-achievement should be noted in the annual report.

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An agency may conclude, based on actual performance, that a performance goal cannot be achieved in the future. For such goals, the annual report explains why a particular goal is no longer practical or feasible, and recommends a course of action for the goal. These actions may include discontinuing or adjusting the goal. Changes to a performance goal may also need to be reflected in the agency's strategic plan (see section 210.9).

232.8 Evaluating performance goal levels in the current year performance plan relative to actual performance during the past fiscal year

Summary of Requirement: An assessment of the effect of actual performance on expected performance levels in the current fiscal year is included in the annual program performance report.

Your annual report includes an assessment of the effect of actual performance levels in the fiscal year covered by the report on the estimated levels of performance in the current fiscal year. A simple conclusive statement may suffice for this assessment.

Generally, a completed annual report is not used to make further adjustments to performance goals in your annual plan for the current fiscal year. However, if actual performance information is available prior to completing the annual report, an agency may use this information to modify performance goals or the means and strategies element in a revised final plan. A revised final plan is usually prepared several months in advance of a completed annual report.

The annual report may be used as a basis for revising the performance goals, the means and strategies, or verification and validation elements in either the final plan or the revised final plan for the budget year. (While the annual report appears midway through the current fiscal year, this date may be close to the completion of a final plan, and is about six months prior to when a revised final plan for the budget year is prepared.)

232.9 Including trend data in the annual program performance report

Summary of Requirement: Over time, agencies are required to include additional years of actual performance information until the annual report covers a minimum of four fiscal years. One year of actual performance information is required for the FY1999 report, two years will be included for the FY 2000 report, three years will be included in the report for FY 2001, and four years of information will be included in the reports for FY 2002 and future years.

Your annual report will eventually include actual performance information for at least four fiscal years. Beginning with the annual report for fiscal year 2000, more than one year of actual performance information will be presented until four years of information – the fiscal year covered by the report plus the three preceding

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fiscal years -- are included. The fiscal year 2000 report will include actual performance information for fiscal years 1999 and 2000; the fiscal year 2001 report will include actual performance information for fiscal years 1999, 2000, and 2001; and the fiscal year 2002 report will include actual performance information for fiscal years 1999, 2000, 2001, and 2002. (The fiscal year 2002 annual report is due in March 2003.)

Agencies may cease reporting actual performance information for prior years for any goal that is discontinued. However, at least one annual report must contain actual performance information for a discontinued goal (see subsection 232.4(a)).

Comparisons between actual performance and performance goal target levels are not included for prior fiscal years, unless the comparison was deferred because of the unavailability or inadequacy of the performance data in a prior year's annual report.

Agencies having actual performance information for fiscal years 1998, 1997, or 1996 are encouraged to include this information in their annual report for fiscal year 1999. (See also section 232.5 on unavailability of actual performance information and section 221.2 on including prior year actual performance information in the FY 2001 annual plan.)