United States General Accounting Office

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Report to the Chairman, Subcommittee on the Postal Service, Committee on Government Reform and Oversight, House of Representatives

July 1998

THE RESULTS ACT

Observations on the Postal Service's Preliminary Annual Performance Plan

GAO/GGD-98-144

GAO

United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-277565

July 10, 1998

The Honorable John M. McHugh
Chairman, Subcommittee on the Postal Service
Committee on Government Reform and Oversight
House of Representatives

Dear Mr. Chairman:

In February 1998, you asked that we review and comment on the U.S. Postal Service's preliminary annual performance plan (preliminary plan) for fiscal year 1999, which was prepared in response to the Government Performance and Results Act of 1993 (GPRA or the Results Act). As you know, the Postal Service filed its preliminary plan in February 1998, in accordance with the Results Act and as part of its annual comprehensive statement for 1997. The preliminary plan was designed to present performance goals, targets, and strategies for fiscal year 1999; however, the plan is considered provisional until the Postal Service Board of Governors completes the budget cycle and makes its final decisions on the allocation of Postal Service resources. The Postal Service's final annual performance plan for fiscal year 1999 is expected to be published on September 30, 1998, after the Board of Governors adopts the Service's budget.

This report provides our observations on the Postal Service's preliminary annual performance plan. To conduct our review, we used the criteria in the Results Act, our February 1998 guidance for congressional review of the plans, and our evaluator guidance for assessing the annual performance plans.[1] The Results Act states that the Postal Service shall prepare an annual performance plan covering each program activity set forth in the Postal Service budget; and the plan shall

(1) establish performance goals to define the level of performance to be achieved by a program activity;

[1]See Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking (GAO/GGD/AIMD-10.1.18; Feb. 1998, Version 1) and The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans (GAO/GGD-10.1.20; Apr. 1998, Version 1).

(2) express such goals in an objective, quantifiable, and measurable form, unless an alternative form is used;[2]

(3) briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the performance goals;

(4) establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity;

(5) provide a basis for comparing actual program results with the established performance goals; and

(6) describe the means to be used to verify and validate measured values.

We performed our work in April and May, 1998, in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from the Postmaster General or his designee. On June 19, 1998, Postal Service officials provided written comments on the draft report, which are discussed at the end of this letter and reprinted in appendix I.

Background

In recent years, public sector organizations have faced demands that they become more effective and less costly. These organizations are also facing a growing movement toward a performance-based approach to management. Congress enacted the Results Act in 1993 to address these twin demands and to instill performance-based management in the federal government. The Results Act seeks to shift the focus of government decisionmaking and accountability away from a preoccupation with activities to focus on the results of those activities—such as real gains in timeliness, productivity, and responsiveness to customer expectations. Under the Act, federal agencies are to develop strategic plans, annual performance plans, and annual program performance reports.

[2]The Results Act states that if the Postal Service determines that it is not feasible to express the performance goals for a particular program activity in an objective, quantifiable, and measurable form, the Postal Service may use an alternative form. Such an alternative form shall (1) include separate descriptive statements of a minimally effective program and a successful program, with sufficient precision and in such terms that would allow for an accurate, independent determination of whether the program activity's performance meets the criteria of either description or (2) state why it is infeasible or impractical to express a performance goal in any form for the program activity.

Although the Results Act contains separate provisions for the Postal Service, the Act requires that strategic and performance plans and performance reports developed by the Service are to be similar to those developed by executive branch agencies. However, the law recognizes that the Postal Service has a unique statutory mission and that the Service does not depend on federal appropriations for its basic operations.[3] Unlike other agencies, for example, the Postal Service is not required to submit its strategic and performance plans and performance reports to the Office of Management and Budget (OMB) and is not subject to the provisions of OMB's Circular No. A-11, part 2. Instead, the Results Act requires that the Postal Service submit (1) strategic plans to the President and Congress and (2) performance plans and performance reports to Congress. Performance plans and performance reports are to be filed as part of the Postal Service's annual Comprehensive Statement on Postal Operations, which is required under 39 U.S.C. 2401(e).[4] In contrast, performance plans and performance reports prepared by executive branch agencies are sent to OMB with the agency's budget request and sent to Congress.

Another difference in how the Results Act applies to executive branch agencies and the Postal Service occurs in how performance plans and performance reports are developed from a budget perspective. Under the Act and related OMB guidance, executive branch agencies are required to link performance goals in their plans to their specific program activities in the federal budget. Under the Results Act, for executive branch agencies, the term "program activity" is defined as "a specific activity or project listed in the federal budget." Although the Postal Service provisions of the Act also require the Service to link performance goals to program activities in the Postal Service budget, the Act defines the term "program activity" differently for the Postal Service than for other federal agencies. For the Postal Service, a program activity is defined as "a specific activity related to the mission of the Postal Service."[5]

On September 30, 1997, the Postal Service fulfilled the first of its Results Act responsibilities and filed its first 5-year strategic plan covering fiscal

[3]The Postal Service receives appropriated funds for some congressionally mandated services, such as free and reduced-rate mail for the blind. In fiscal year 1997, the Postal Service reported $58.2 billion in operating revenues, of which about $83 million was from appropriated funds for free and reduced-rate mail.

[4]Under 39 U.S.C. 2401(e), the Postal Service is required to submit to its Senate and House appropriations and oversight committees an annual statement discussing in detail its current and planned operations, policies, financial expenditures, and obligations.

[5]See 39 U.S.C. 2801(5).

years 1998 through 2002.[6] As previously mentioned, in February 1998, the Postal Service filed its preliminary annual performance plan and is expected to file its final performance plan on September 30, 1998.[7] Like the strategic plan, the preliminary performance plan was designed to complement the Postal Service's current management system called "*CustomerPerfect!*," which is a long-term approach for making management improvements that are based on criteria from the Malcolm Baldrige National Quality Award.[8] This management system, which has been in place for several years, includes four major phases: (1) establishing goals, (2) deploying resources toward achievement of those goals, (3) implementing improvement actions, and (4) reviewing performance and adjusting actions.

Results in Brief

The Postal Service's preliminary performance plan provides a partial picture of the Service's intended performance for fiscal year 1999. Although the preliminary plan generally has performance goals and related measures that are quantifiable and results-oriented, the plan could be more helpful if it (1) articulated current performance levels, or baselines, from which to gauge progress and (2) more clearly linked program activities in the Postal Service's budget to performance goals. In addition, the plan could better link particular strategies and resources to performance goals. Without clear linkages in these areas, it may be difficult for stakeholders reviewing the plan to understand how the Postal Service intends to achieve its goals. The plan does a good job of discussing how the Postal Service plans to measure and review results and recognizes the role of management and some stakeholders, such as the Inspector General, in reviewing and evaluating programs. However, the plan is relatively silent on how the Postal Service plans to verify and validate the data that will be used to measure results to provide confidence that its performance information will be credible.

[6]See The Results Act: Observations on the Postal Service's June 1997 Draft Strategic Plan (GAO/GGD-97-163R, July 31, 1997) for our assessment of the Postal Service's draft strategic plan.

[7]The Act requires that the Postal Service file its first annual program performance report as part of its fiscal year 2000 annual comprehensive statement. Under the law, that report is to cover actual performance achieved in the preceding fiscal year. The performance report for fiscal year 2001 is to cover actual results for the 2 preceding years, and subsequent reports are to cover actual performance for the 3 preceding years.

[8]The Malcolm Baldrige National Quality Award is given annually to recognize U.S. companies for business excellence. Award recipients must demonstrate results and results improvement in a wide range of indicators, including the customer-related, operational, and financial areas. The results reported must address all stakeholders, including customers, employees, owners, suppliers, and the public.

Preliminary Plan Provides a Partial Picture of Intended Performance Within the Postal Service

The Postal Service's preliminary performance plan articulates well performance goals for many areas that define expected performance and are quantifiable and results-oriented. The preliminary plan also (1) describes many performance indicators and targets that should be useful for measuring results and (2) indicates areas where performance indicators are to be developed, such as delivery targets for additional classes of mail. However, the plan could be more useful if it articulated current performance levels or baselines that could be used to gauge progress.

In addition, the preliminary plan does a good job of showing linkages between strategic goals and performance goals; however, the preliminary plan does not fully connect to the Postal Service strategic plan because the preliminary plan does not fully capture the mission statement articulated in the strategic plan. Although the preliminary plan discusses budgetary considerations—including revenues and expenses, major program costs, and cost reduction programs, it does not link the program activities in the Postal budget to performance goals. Without this linkage, it is difficult to determine how the Postal Service's budget will be allocated to achieve its performance goals.

Defining Expected Performance

The preliminary performance plan provides a succinct and concrete statement of expected performance for subsequent comparison with actual performance in many program areas. In fact, the preliminary plan is consistent with the intent of the Results Act that annual performance goals be results-oriented, quantifiable, and measurable. Nonetheless, the performance plan could be more useful if it articulated current performance or baselines. For example, the preliminary plan discusses the performance goal of providing timely delivery, which has as one of its indicators and targets to "increase the on-time delivery for 2- and 3-day First-Class mail to 87 percent." However, the performance plan does not state the current percentage of on-time delivery for 2- and 3-day First-Class mail. Without this information, the reader cannot assess the likelihood that the Postal Service will achieve its stated goals or be able to gauge its progress over the course of the performance period. Likewise, the performance goal of ensuring a safe work environment has an indicator and target of "decreasing lost workdays due to injury per 200,000 workhours to 2.04." However, the plan does not discuss the current level of lost workdays due to injury so that the reader can ascertain how much performance is expected to improve over the period.

In other areas, the plan was helpful in identifying the performance goals where indicators and targets are still under development. These areas include goals to provide timely delivery for additional classes of mail, improve the consistency and accuracy of service, and improve employee proficiency.

Connecting Mission, Goals, and Activities

The Postal Service's performance goals are clearly linked to the three strategic goals listed in both the preliminary plan and the Postal Service's strategic plan. Nonetheless, the preliminary plan does not fully capture the Postal Service mission. More specifically, we observed that the mission statement as stated in the strategic plan articulates the breadth of the Postal Service's mission and services provided, but the mission as stated in the performance plan is more narrowly described as focusing on the "delivery of the public's personal and business mail." In addition, the mission statement in the strategic plan is anchored in the terms "prompt, reliable, and efficient services," whereas the condensed mission statement in the preliminary plan emphasizes "efficient" without discussing "prompt and reliable." Although there is a solid link between strategic goals and performance goals, the absence of key mission-related terms in the preliminary plan (1) could confuse stakeholders and decisionmakers when they attempt to link the two documents and (2) may inadvertently focus too much attention on only one aspect of the Postal Service mission. The Postal Service's mission is particularly important in light of the Results Act's emphasis on the relationship between the Service's program activities and its mission.

We also observed that the preliminary plan does not show a clear connection between performance goals and program activities and funding in the Postal Service's budget.[9] According to the Results Act, the Postal Service is to prepare an annual performance plan covering each program activity set forth in the Service's budget. Our comparison of the preliminary plan with the budget showed that some of the program activities outlined in the budget were listed in the plan, but they were not linked to any particular performance goal. In addition, the preliminary plan mentions programs like the time-critical, Year 2000 program[10] and even discusses performance issues; however, the plan does not have

[9]See United States Postal Service Fiscal Year 1999 Budget Congressional Submission.

[10]For the past several decades, automated information systems have typically represented the year using two digits rather than four in order to conserve electronic data storage space and reduce operating costs. In this format, however, 2000 is indistinguishable from 1900 because both are represented only as 00. As a result, if not modified, computer systems or applications that use dates or perform date- or time-sensitive calculations may generate incorrect results beyond 1999.

corresponding goals, indicators, and targets that relate to this program and could help decisionmakers and stakeholders focus on these programs, monitor their progress, and better understand the expected results.

The preliminary plan could better explain how the Postal Service's budget will be allocated to achieve performance if the plan showed funding levels, by program activity, associated with performance goals. We recognize that the Postal Service, unlike most other federal agencies, is financially independent and self-supporting. These are factors that set the Postal Service apart from other agencies in terms of the federal budget. We also recognize that the Postal Service has a performance management system, which incorporates a planning process that complements the main features of the Results Act. Nonetheless, we believe that linking the Postal Service's performance goals to the program activities and funding levels discussed in the Service's budget is a critical step so that stakeholders can better understand how the Service plans to use its budgetary resources to achieve its goals.

Although the Postal Service is not subject to OMB's Circular No. A-11, some of the guidance in this circular may be useful in establishing a clearer linkage between performance goals and their associated funding levels. The circular suggests that agencies consider changes to their budget account structure that present both budget and performance information in a more thematic or functional way, thereby facilitating the understanding of programs and measures of performance. It is also recognized that modifications to budget structures will take time to develop as agencies and Congress acquire more experience with performance plans and reports.

Preliminary Plan Does Not Completely Discuss How Strategies and Resources Will Help the Postal Service Achieve Its Goals

The Postal Service's preliminary performance plan does not completely discuss the strategies—that is, how it will use its operations processes, skills, and technologies—and resources (i.e., human, capital, information, or other resources) that will be needed to achieve its goals. Without this discussion, stakeholders and decisionmakers do not have the contextual framework for understanding how the Postal Service plans to achieve its performance goals.

Connecting Strategies to Performance Goals

The Postal Service's preliminary performance plan does not fully discuss the Service's strategies for achieving its performance goals. The Results

Act requires that performance plans should briefly describe the strategies—operational processes, skills, and technologies—required to meet performance goals. Specifically, we found that the Postal Service's preliminary plan does not always articulate what strategies the Service intends to use to achieve performance goals.

For example, the performance goal—"provide timely delivery"—has an indicator and target stating that the Postal Service will "increase or maintain overnight on-time delivery to 92 percent." However, the goal, indicator, and target do not discuss a corresponding strategy for achieving this target. Likewise, the performance goal—"ensure a safe work environment"—has an indicator and target stating that the Postal Service will "ensure a safe work environment by decreasing lost workdays due to injury per 200,000 work hours to 2.04." Although the preliminary plan does contain some discussion about safety issues relative to the overall workplace environment, it does not address the strategy that the Service will take to decrease lost workdays to the target level. In contrast, the preliminary plan discusses the strategies to be used to achieve other goals; namely, the two performance goals—"grow net income from existing or enhanced products and services" and "grow net income from new products and services"—have indicators and targets associated with revenue-generating initiatives. From a strategic standpoint, the narrative accompanying these goals also points out that the Postal Service intends to build business activities, such as advertising mail and international services to in fact "grow" the business and achieve these goals.

Although the Results Act does not require that performance plans specifically discuss the impact of external factors and major management problems in achieving performance goals, we believe that a discussion of such factors would provide additional context regarding an agency's anticipated performance. In its September 1997 strategic plan, the Postal Service identified several major challenges (i.e., regulatory constraints, technology, competition, changing consumer expectations, and management challenges) that could significantly affect the achievement of general goals and objectives. Some of the strategic plan's discussion associated with achieving performance goals mentions issues such as competitive markets and consumer expectations. However, a more explicit discussion of these issues and other management factors, such as the Year 2000 problem and labor-management relations, would help decisionmakers and stakeholders better understand how external factors and major management challenges could influence the Postal Service's

ability to achieve the intended level of performance and how the Service intends to mitigate or use these factors.

Connecting Resources to Performance Goals

The Postal Service's preliminary performance plan does not fully discuss the resources it will use to achieve the performance goals. The Results Act specifies that performance plans should briefly describe the human, capital, information, or other resources that the agency will use to achieve its performance goals. The preliminary plan does contain a broad-based, holistic discussion of the resources and programs needed to achieve the goals. This discussion includes a statement that the final Postal Service performance plan will describe the resource allocation plan. However, the preliminary plan would be more useful if a discussion about potential or provisional resource commitments were articulated and clearly linked to performance goals. Again, the Year 2000 program is an example of a major program that could be more clearly linked to resources and performance goals. By having this information, stakeholders and decisionmakers could be in a better position to weigh how the Postal Service plans to manage cost-effective mixtures of limited resources.

Preliminary Plan Provides Partial Confidence That Performance Information Will Be Credible

The preliminary performance plan partially meets the Results Act criteria related to ensuring the credibility of performance information by describing the Postal Service's processes for reviewing progress toward intended results. However, it is not as clear how the Postal Service plans to verify and validate the data that will be used to measure performance as required by the Results Act. The Postal Service plan contains a detailed discussion of the *CustomerPerfect!* management cycle, which includes a discussion of how the management system is the subject of ongoing review. This discussion touches on such things as how officers and managers will be involved in the identification of goals, subgoals, indicators, and targets; how programs will be reviewed and evaluated; and how the Postal Service plans to measure results against goals. The attachment to the preliminary plan also discusses the review phase of the plan and recognizes the role of the Office of the Inspector General and the Inspection Service in providing reviews of new and ongoing activities.

However, the preliminary plan does not always describe particular steps or means to be used to verify and validate measured values. For instance, the indicators associated with First-Class mail contain targets, but the discussion about these indicators does not show the steps the Postal Service plans to take to ensure that the data used to measure results will

be verified and validated. The preliminary plan would be more helpful if it highlighted some of the specific controls that the Postal Service may use for its major systems to verify and validate performance information on an ongoing basis. Such controls could include periodic data reliability tests, computer edit controls, and supervisory reviews of the data used to develop performance measures. A succinct discussion of the major procedures and controls that are in place to ensure credible data, at least for the more important information systems, would be more helpful to decisionmakers and stakeholders in assessing the reliability of the data being used to gauge progress.

Conclusions

Overall, the Postal Service's preliminary performance plan articulates well the performance goals that define expected performance and are quantifiable and results-oriented. In addition, the preliminary plan describes performance indicators and targets that should be useful for measuring results. Nonetheless, the plan could be more useful if it (1) articulated current performance levels or baselines from which to gauge progress and (2) more clearly linked program activities in the Postal Service's budget to performance goals. Without these linkages, it is unclear how the Postal Service's budget will be allocated to achieve the performance intended. The plan also contains the same overall goals and subgoals contained in the Postal Service's strategic plan; however, the preliminary plan does not fully capture the mission statement articulated in the strategic plan—which is a factor that could de-emphasize the important link between the two documents.

Furthermore, although the preliminary plan broadly discusses the strategies and resources necessary to achieve its goals, it does not show how particular strategies and resources will contribute to the achievement of performance goals. Without this linkage, it may be difficult for stakeholders reviewing the plan to understand how the Postal Service intends to achieve its goals. The plan does a good job of discussing how the Postal Service plans to measure and review results and recognizes the role of management and some stakeholders, such as the Inspector General, in reviewing and evaluating programs. However, the plan is relatively silent on how the Postal Service plans to verify and validate the data that will be used to measure results. Finally, the plan could be enhanced with a discussion of the major management problems and external factors that the Postal Service could face in achieving its performance goals.

We recognize that this is the first performance plan developed by the Postal Service under the Results Act; and, as such, it represents a good start. Typically, there is a long learning process in understanding what constitutes a good plan. In addition, it is recognized that making linkages between the budget and performance goals may take some time to develop and that incremental adjustments to the plan may be necessary. This is particularly true given the unique nature of the Postal Service and its budgeting process, especially in relation to other agencies covered by the Results Act. Determining how best to make these linkages is an effort that could benefit from the participation of congressional and other major stakeholders. The Postal Service's plan to issue its final plan later in 1998 provides it with an opportunity to revise it to more closely reflect the requirements and intent of the Results Act.

Recommendations

We recommend that the Postmaster General modify the preliminary performance plan so that the Postal Service's final performance plan for fiscal year 1999 more fully conforms with the Results Act and gives stakeholders and decisionmakers a better framework for gauging the Service's performance. Specifically, in developing the final performance plan, we recommend that the Postmaster General take steps to

- include current levels of performance, or baselines, so that readers can gauge the Postal Service's progress in achieving its goals;
- start the process to develop and communicate linkages, including incremental adjustments as the linkages are developed, between the Postal Service budget and the performance goals in the performance plan;
- fully articulate the Postal Service mission as stated in the strategic plan so that readers can more clearly understand the link between the two documents;
- more completely link strategies and resources for achieving goals with the performance goals discussed in the preliminary plan;
- discuss steps that the Postal Service plans to take to ensure that the data used to measure performance are both verifiable and valid; and
- discuss external factors and major management problems that could impede the Service's ability to achieve its intended goals and how the Service plans to address such impediments.

Agency Comments

The Postal Service provided comments on a draft of this report in a letter dated June 19, 1998, signed by the Vice President, Controller, and Vice President, Strategic Planning. In general, the Postal Service stated that the

report was balanced and helpful in providing guidance to improve its preliminary annual performance plan. The Service also agreed with our conclusions and recommendations and indicated how it plans to respond to each recommendation. In addition, the Service agreed to continue discussions with us on how best to align the budget and performance plans. We recognize the difficulty of this task and welcome the opportunity to continue working with the Service in this effort.

We are sending copies of this report to the Ranking Minority Member of your Subcommittee; the Chairman and Ranking Minority Member of the House Committee on Government Reform and Oversight; the Chairmen and Ranking Minority Members of the Senate Subcommittee on International Security, Proliferation and Federal Services and the Senate Committee on Governmental Affairs; the Postmaster General; and other interested parties. Copies will also be made available to others upon request.

Major contributors to this letter are listed in appendix II. If you have any questions, please call me on (202) 512-8387.

Sincerely yours,

Bernard L. Ungar
Director, Government Business
Operations Issues

Comments From the U.S. Postal Service

UNITED STATES POSTAL SERVICE

June 19, 1998

Mr. Bernard L. Ungar
Director, Government Business
Operations Issues
United States General Accounting Office
Washington, DC 20548-0001

Dear Mr. Ungar:

Thank you for providing us an opportunity to review the draft report to the Congress entitled, Results Act: Observations on the U.S. Postal Service's Preliminary Annual Performance Plan.

In general, we believe that the report is balanced and helpful in providing the Postal Service with guidance to improve our preliminary Annual Performance Plan that is required by the Results Act and was issued as an appendix to our Comprehensive Statement on Postal Operations for Fiscal Year (FY) 1997. We expect to file our first Performance Plan covering FY 1999 by September 30, 1998, following review and approval by our Board of Governors.

As you have noted in your report and as we have described in our Strategic Plan and Performance Plan, the Results Act provides the Postal Service an opportunity to document and publish the results of the stages of our internal management system that we call *CustomerPerfect!*sm. The preliminary Performance Plan provides a concluding statement to our fall cycle of establishing performance goals and preliminary performance measures. The final Performance Plan will reflect the conclusion of our spring deployment process in which resources are allocated to program activities.

You have suggested a number of improvements and we want to respond to each of them specifically.

Current Performance Levels

You have suggested that we provide current performance levels from which to gauge progress in the plan. We believe that this will be a helpful addition to the Performance Plan. We note that in providing existing levels of performance it will be necessary, in some cases, to provide an explanation of the process we are using to develop the performance measures themselves.

Linkage of Performance Goals, Strategies and Resources

You have suggested that we provide further detail in clarifying the linkages that connect our performance goals with the strategies that are being implemented to achieve them and the resources that will be needed to achieve targeted improvements. This is a helpful suggestion, and we will address this linkage in the final Performance Plan. We discussed this matter in our meeting with you earlier this month. We agreed that as a first step in that direction, we will include in the final plan a discussion of the additional, incremental costs (e.g. personnel, operating expense, capital equipment, facilities) that we have allocated to achieve the performance improvement initiatives targeted for FY 1999. We recognize that this is an area that will require refinement over time, and we will be meeting with other GAO staff next week to explore methods for documenting these linkages.

475 L'Enfant Plaza SW
Washington DC 20260

Verification and Validation

You comment that the plan "is relatively silent on how the Postal Service plans to verify and validate the data that will be used to measure results." We will provide additional detail in the final Performance Plan. As you know, a combination of outside auditors, independent assessments of service performance (such as our Transit Time Measurement System, run by Price Waterhouse), the Postal Inspection Service, the Office of Inspector General, and financial reviews are used to verify and validate performance data. In accordance with your comments, we will provide a fuller discussion of the major procedures and controls.

Discussion of Mission

Your comments state that "the Preliminary Plan does not fully connect to the Postal Service Strategic Plan because the Preliminary Plan does not fully capture the mission statement articulated in the Strategic Plan." In our final plan we will provide additional discussion of the mission of the Postal Service and the role of performance measures in carrying out this mission.

Connecting Performance Goals and Budget

Your comments note that some of the program activities contained in the budget were not linked to a particular performance goal. You also note that there are major programs, such as the Year 2000 program, that do not have corresponding goals, indicators and targets. As we have discussed with your staff, we will be making adjustments to our budget reporting process to capture detail on incremental resources needed to meet performance goals. You note that the process of aligning budgetary resources with performance results "will take time to develop as agencies and Congress acquire more experience with performance plans and reports." We look forward to working with you on this issue in coming budget cycles.

Discussion of Strategies and External Factors

You have suggested that the plan should briefly describe the strategies – operational processes, skills and technologies – required to meet performance goals. You have noted that some performance goals have a more complete explanation than others, and that the Performance Plan does not discuss external factors and management issues that could impact achievement of the goals. In the final plan we will provide additional detail in accordance with your suggestions.

We appreciate the time you and your staff took to meet with us on these issues, and we look forward to additional discussions in the near future.

Sincerely,

M. Richard Porras
Vice President
Controller

Robert A. F. Reisner
Vice President
Strategic Planning

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