ARMS CORPS OF ENGINEERS

Budget Formulation Process Emphasizes Agencywide Priorities, but Transparency of Budget Presentation Could be Improved

What GAO Found

With the introduction of performance-based budgeting in fiscal year 2006, the Corps began emphasizing projects with the highest anticipated returns on investment. Previously, Corps division officials sought to provide continued funding to all ongoing projects that fit within administration guidelines. Now, under the current process, Corps headquarters plays an increased role in selecting projects, and evaluates projects using certain performance metrics. The Corps gives priority to those projects with the highest anticipated returns for the economy and the environment, as well as those that reduce risk to human life. The Corps’ use of performance metrics makes projects in certain geographic areas more likely to be included in the budget request. For example, the benefit-cost ratio, a measure of economic benefit that is used to rank certain projects, tends to favor areas with high property values. Another effect of the Corps’ use of performance-based budgeting is that fewer construction and investigation projects—studies to determine whether the Corps should initiate construction projects—have been included in the budget request in recent years. In contrast, the number of projects in the Operation and Maintenance account has been relatively stable, which Corps officials attributed partially to its emphasis on routine activities. While the metrics used by the Corps in its budget formulation process focus on anticipated benefits, the Corps monitors the progress of ongoing projects through review boards at the headquarters, division, and district levels. However, the Corps does not have written guidance establishing a process for incorporating information on demonstrated performance, such as review board findings, into budget formulation decisions. In the absence of such a process, the Corps may miss opportunities to make the best use of this performance information.

The budget presentation for the Corps lacks transparency on key elements of the budget request. It focuses on requested construction and investigations projects, but does not describe how the decisions made during the budget formulation process affected the budget request. For example, the budget presentation does not include an explanation of the relative priority given to project categories or how they are evaluated against each other. Also, while the number of construction and investigations projects receiving appropriations is typically much greater than the number requested, the budget presentation does not include detailed information on all projects with continuing resource needs. The budget presentation also lacks detail on the amount of the balance of unobligated appropriations (carryover) that remain available for each project. Users of the budget presentation told GAO that these two types of project information would be useful.

What GAO Recommends

GAO recommendations include the Corps establishing a documented process for incorporating ongoing performance information into budget formulation decisions and improving the transparency of its budget presentation. The Corps concurred with all but the first recommendation, stating existing mechanisms are sufficient. GAO believes establishing a process would ensure more complete and consistent decision making.

View GAO-10-453 or key components. For more information, contact Denise M. Fantone at (202) 512-6806 or fantoned@gao.gov or Anu K. Mittal at (202) 512-3841 or mittala@gao.gov.