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General Government Division

B-280528

September 29, 1998

The Honorable Ellen Seidman
Director
Office of Thrift Supervision

Subject: The Results Act: Observations on OTS' Annual Performance Plan

Dear Ms. Seidman:

This letter provides our observations on the Office of Thrift Supervision's (OTS) annual performance plan for calendar year¹ 1998 submitted to Congress to meet the requirements of the Government Performance and Results Act of 1993 (the Results Act). We were asked by the House Committee on Banking and Financial Services to review the plan together with annual plans submitted by other financial regulatory agencies. This letter provides our assessment of how well OTS' performance plan meets the requirements of the Results Act, and our observations for improving future performance plans.

Annual performance plans can be an invaluable tool for making policy decisions, improving program management, enhancing accountability, and communicating to both internal and external audiences how the long-term strategic direction outlined in strategic plans is translated into the day-to-day activities of managers and staff. Successful implementation of a performance-based management system, as envisioned by the Results Act, represents a significant challenge requiring sustained agency attention.

While opportunities exist to improve OTS' initial performance plan, actions to date clearly show a good faith effort to implement the Results Act. In our discussions with your staff, we found OTS to be seriously committed to fulfilling both the requirements of the Act and congressional expectations that the plans inform Congress and the public about agencies' performance goals, including how the agency will accomplish goals and measure the results. The points made in this letter are intended to assist OTS in its continued efforts to implement the Act. As such, the content of this letter focuses greater attention on areas where improvements might be made to enhance your plan and less on areas where OTS has already made significant progress.

¹In cases where an agency operates on a different fiscal year than October 1-September 30, the performance plan should correspond to the agency's fiscal year. OTS operates on a calendar year basis.

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Background and Approach

In recent years, agencies have faced demands to be more effective and less costly, coupled with a growing movement toward a performance-based approach to management. Congress enacted the Results Act in 1993 as part of a framework of reform legislation that included the Chief Financial Officers Act and information technology reform legislation, such as the Clinger-Cohen Act of 1996, to address these demands and instill performance-based management in the federal government. The Results Act is designed to improve the efficiency and effectiveness of federal programs by establishing a system to set goals for program performance and measure results. The Act seeks to shift the focus of government decisionmaking and accountability away from a preoccupation with activities—such as thrift examinations made—to a focus on the results of those activities—such as improvements in thrift safety and soundness.

Under the Results Act, agencies are to develop strategic plans, annual performance plans, and annual performance reports. The strategic plan is to serve as the starting point and basic underpinning of the performance-based management system and include the agency's mission statement and its long-term goals and the strategies that agencies will use to achieve these goals. OTS submitted its first strategic plan under the Act to Congress and the Director of the Office of Management and Budget (OMB), as required, by September 30, 1997. In its 1997-2002 strategic plan, OTS established five strategic goals: (1) maintain and enhance a risk-focused, differential, and proactive approach to the supervision of thrift institutions to contribute to a safe and sound industry; (2) improve credit availability by encouraging safe and sound lending in those areas of greatest need; (3) enhance the competitiveness of the thrift industry to ensure its safety and soundness; (4) conduct operations efficiently to keep regulatory burdens on the thrift system at the minimum necessary level; and (5) provide exceptional customer service to all major customer groups, including the thrift institutions regulated by OTS and members of the public who deal with those thrift institutions, to make government more responsive. The annual performance plan is to link the agency's day-to-day activities to its long-term strategic goals. The first plan, covering calendar year 1998, was submitted to OMB in the fall of 1997 and to Congress after the President's budget in February 1998. The first performance reports are due to Congress and the President no later than March 31, 2000. The annual performance report evaluates the agency's progress toward achieving the goals in its annual plan.

The Results Act requires federal agencies to prepare annual performance plans covering the program activities set out in the agencies' budgets. These plans are to (1) establish performance goals to define levels of performance to be achieved; (2) express those goals in an objective, quantifiable, and measurable form; (3) briefly describe the operational processes, skills, and technology, and the human, capital, information, or other resources required to meet the goals; (4) establish performance measures for assessing the progress toward or achievement of the goals; (5) provide a basis for comparing actual program results with the established goals; and (6) describe the means used to verify and validate measured values.

For purposes of our review, we collapsed the six requirements of the Results Act for annual performance plans into three core questions. These three core questions were: (1) To what

extent does the agency's performance plan provide a clear picture of intended performance across the agency? (2) How well does the agency's performance plan discuss the strategies and resources the agency will use to achieve its performance goals? (3) To what extent does the agency's performance plan provide confidence that its performance information will be credible? These questions are contained in our February 1998 congressional guide and our April 1998 evaluator's guide for assessing performance plans, both of which we used for our review.²

These guides integrated criteria from the Results Act, its legislative history, OMB's 1997 guidance for developing performance plans (OMB Circular A-11, part 2), a December 1997 letter to OMB from several congressional leaders, and our other reports on the implementation of the Results Act.³ We used the criteria and questions contained in the guides to help us determine whether OTS' plan met the requirements of the Act, to identify strengths and weaknesses in the plan, and to assess the plan's usefulness for executive branch and congressional decisionmakers.

We obtained comments from agency officials on our observations, which are discussed near the end of this letter. We did our work between May and July 1998 at OTS headquarters in Washington, D.C., in accordance with generally accepted government auditing standards.

Results in Brief

OTS' performance plan is a good early effort in preparing a plan that incorporates the basic elements required by the Results Act. As discussed in the sections that follow, the plan contains performance goals and measures that attempt to reflect OTS' mission and strategic goals. It also covers all the program activities in the OTS budget submission. However, the plan would be more useful to congressional decisionmakers if it was improved in several ways. Specifically, the plan could better define expected performance by stating measurable objectives in performance goal statements, having more outcome-oriented goals, and more fully addressing strategic plan goals. In addition, the plan could more explicitly lay out additional actions to develop crosscutting efforts with other financial institution regulatory agencies. With regard to strategies and resources, the plan could be improved by better connecting strategies to results and connecting resources to individual performance goals.

²See Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking (GAO/GGD/AIMD-10.1.18, Feb. 1998) and The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans (GAO/GGD-10.1.20, Apr. 1998).

³See The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997) and Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

Lastly, the plan could be more useful if it enhanced data verification and validation efforts and discussed data limitations.

OTS' Plan Should Provide a Picture of Intended Performance

The Results Act and OMB guidance call for performance plans that clearly define expected performance; connect goals, mission, and activities; and recognize crosscutting efforts. Under the Act, the plan is required to provide a basis for an agency's comparison of actual results with performance goals. For this comparison, the agency needs to set goals and develop appropriate performance measures and show how it will use them to measure performance across the agency. By showing the relationship between the annual performance goals and the agency's strategic goals and mission, an agency's performance plan can demonstrate how the agency intends to make progress toward the achievement of its strategic goals. An agency's plan should also discuss the crosscutting nature of its programs and how they will contribute to achieving performance related to crosscutting functions.

OTS could build on the current plan by strengthening (1) performance plan goals to provide measurable objectives and more fully cover strategic goals; (2) measures to better reflect performance goals, set improvement targets, and provide outcomes; and (3) cross-cutting efforts with other financial regulatory agencies to address common regulatory problems.

Defining Expected Performance

The Results Act requires an agency's annual performance plan to contain both a set of annual goals that establish its intended performance and measures that can be used to assess progress towards achieving those goals. The Results Act defines a performance goal as an intended level of performance expressed as a tangible, measurable objective against which actual achievement can be compared, and includes goals expressed as a quantitative standard, value, or rate. Performance measures are a tabulation, calculation, recording of activity or effort, or assessment of results compared with intended purpose. Performance goals that are expressed objectively and quantifiably and do not require additional measures are considered self-measuring.

OTS' performance plan partially provides a succinct and concrete statement of expected performance for subsequent comparison with actual performance. Three of OTS' 13 performance goals meet the requirements of a performance goal. For example, the performance goal of performing Year 2000 conversion reviews of thrift institutions and their outside data service is stated objectively and quantifiably. However, other performance goals do not clearly define expected performance. For example, the following OTS performance goals do not state tangible, measurable objectives: "improve the consistency of examinations," "improve the value of examinations to thrift institution directors and management," and "continue with the regulatory reinvention process." These performance goals do not provide a concrete, measurable description of intended performance because

they do not define what is meant by improving examination consistency or value, or continuing the regulatory reinvention process.

The OTS plan provides performance targets in individual measures for the 13 performance goals, which are a useful starting point for constructing better-defined performance goals. The Results Act allows self-measuring performance goals, which do not require additional measures. Most of the OTS performance goals have single measures, and OTS may want to convert these single measures into self-measuring performance goals to provide a tangible, measurable objective. To illustrate, the single performance measure stated for the goal of improving the consistency of examinations could be converted into a self-measuring goal because the measure is stated in the form of a performance goal. The measure is the number of examination reports deemed generally consistent with OTS examination policies and procedures divided by the total number of examination reports, with a target of 90 percent. For the OTS goals that are not stated with a tangible, measurable objective, but have more than one measure, OTS might develop a measurable performance goal and then define one or more specific performance measures to assess progress toward the goal.

To better achieve the goals of the Results Act, OTS could emphasize more outcomes in achieving mission goals. Five of OTS' 14 measures are more clearly outcome-oriented than the other 9. For example, one outcome-oriented measure provides information on OTS systems that are Year 2000 compliant. However, other OTS measures capture outputs and processes instead of outcomes, such as those that measure the number of thrift institutions receiving examinations and the time frames for application processing. The plan would be improved by including (1) intermediate outcome goals that represent immediate benefits, such as identifying thrift weaknesses, or (2) end outcomes that represent benefits to the public at large, such as a safe and sound thrift industry.

We recognize that establishing outcome measures is a challenge within the federal government, and particularly in regulatory agencies, where it can be difficult to relate activities to specific outcomes. OTS officials also recognized the difficulty and told us they questioned the degree to which the agency could establish outcome measures because of the number of variables that affect an outcome, such as thrift safety and soundness. The officials said that it is often difficult to show where the health of an institution is directly attributable to OTS' supervisory intervention. They said that this is particularly the case in good economic times when the vast majority of institutions are healthy. However, the Results Act is clearly outcome-oriented, and an agency's performance plan should show progress towards developing outcome goals wherever possible.

In addition, the OTS plan could better develop measures for some performance goals, including some measures that are outcome-oriented. For example, the two OTS measures for the performance goal "continue with the regulatory reinvention process" are "meet the application processing time frames except when an application contains an issue of law or policy" and "the number of institutions that provide electronic loan data in conjunction with safety and soundness examinations divided by the number of regular safety and soundness examinations conducted." It is not clear how these measure the continuation of the regulatory reinvention process. A better measure to match the performance goal of enhancing examination documentation procedures would capture procedural changes in

work paper examination documentation that improved safety and soundness examinations. The current measure is the number of examination work paper reviews finding adequate documentation.

Lastly, it would be useful for the plan to explain why many performance targets established as part of the measures are set at lower performance levels than in 1996, the last year for which actual data were available for the 1998 plan. Eight of the 14 performance measures have actual data for 1996. One target is the same as actual performance in 1996, and seven are lower. For example, the target for percentage of thrifts that rate the examination process value as satisfactory or better than satisfactory is 90 percent, even though OTS achieved 96.4 percent in 1995 and 98 percent in 1996. The plan does discuss why 1997 planned targets are lower than 1996 actual performance, but it does not discuss 1998 targets.

When we asked about the basis for setting performance targets, OTS officials noted that some performance goals are based on law. In addition, the officials said that, in some instances, targets were reduced because of changes in the agency's environment, such as the merging of thrifts into larger, more diverse institutions, that require more complex regulatory efforts. The officials also said that some standards were set higher and performance targets were set at correspondingly lower levels than in previous years to reflect the higher standards. We believe including such contextual information in the plan would enhance readers' understanding of the rationale for the measures and the performance targets, such as when performance targets are lower than historical performance.

Connecting Mission, Goals, and Activities

The Results Act and its guidance expect a clear relationship to exist between an agency's long-term strategic goals and mission and the performance goals in the annual performance plan. Performance goals should also cover each program activity in the agency's budget. The OTS plan partially connects mission, goals, and activities. The plan's performance goals are the same as those in the OTS strategic plan. The performance goals fully cover OTS program activities in its budget request. The plan most closely links performance goals with the descriptions of strategic goals covering supervision of thrift institutions and enhancing the competitiveness of the thrift industry. However, the link between the other three strategic goals and their descriptions and performance goals is less clear. For example, one strategic goal is to "improve credit availability by encouraging safe and sound lending in those areas of greatest need." In this case, although the strategic goal describes a community affairs program for thrifts that would (1) support community development, (2) comply with community reinvestment and fair lending laws, and (3) conduct community development activities in a safe and sound manner, the corresponding performance goal does not address these three factors. Instead, the performance goal in the performance plan is to "encourage institutions' efforts to meet the housing and other credit needs of their communities, particularly low to moderate income persons and areas, through the reduction of regulatory barriers, and the continued implementation of the national community affairs program."

Recognizing Crosscutting Efforts

Results Act guidance states that an agency's performance plan should identify those performance goals that are being mutually undertaken in support of programs or activities of an interagency, crosscutting nature.⁴

The OTS plan partially addresses the need to coordinate crosscutting efforts with other financial regulatory agencies. The plan describes OTS' participation in the interagency Results Act Banking Regulatory Working Group in company with representatives from other financial institution regulators.⁵ The purpose of the group, according to the OTS plan, is to coordinate strategic planning activities and, if possible, develop crosscutting goals and measures. OTS officials said that the Working Group's subgroups are making good progress, but they noted that it is difficult to develop language on processes and measures usable in each agency's performance plan because of the agencies' different functions. The officials added that the subgroups are developing principles that will establish common understandings, but not common measures.

The crosscutting efforts of the working group—as described in the strategic plan, performance plan, and by OTS officials during our interviews—are limited to exploring ways to develop common processes and criteria for improving individual agency efforts. Although this is a necessary first step, the Results Act guidance encourages agencies to develop common performance goals and measures for related programs. These goals and measures should address broader overlapping regulatory issues, such as federal bank oversight system inconsistencies in examination policies and practices and enforcement actions identified in our earlier work.⁶ For example, a performance goal could be that OTS will remove those redundancies in joint examinations identified by the working group within a certain period of time.

⁴OMB's July 1, 1998, A-11 guidance states that, at a minimum, the annual plan should indicate those programs or activities that are being undertaken with other agencies to achieve a common purpose or objective. An agency should also review the fiscal year 1999 performance plans of other agencies participating with it in a crosscutting program or activity to ensure that goals and indicators for a crosscutting program are consistent and harmonious.

⁵The interagency working group is made up of representatives from the Federal Reserve, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, OTS, and the National Credit Union Administration.

⁶See Bank and Thrift Examinations: Adoption of Risk-Focused Examination Strategies (GAO/T-GGD-98-13, Oct. 1997).

OTS' Plan Should Discuss How Strategies and Resources Will Help Achieve OTS' Goals

The Results Act requires that annual performance plans describe the strategies and resources the agency intends to use to achieve its performance goals. Typically, strategies should cover an agency's operational processes, skills, and technologies that will be used to achieve program goals, and resource descriptions should describe capital, human, financial, and other resources. To better meet this requirement, OTS' performance plan needs to more fully discuss how the agency's strategies and resources will help achieve its goals, including how external factors might affect strategies.

Connecting Strategies to Results

The Results Act and related guidance require that the performance plan should briefly describe the agency's strategies to accomplish its performance goals. OTS has attempted to address strategies in a general section on means and strategies in the plan. However, the performance plan does not describe how specific strategies would achieve individual performance goals. The general descriptions that OTS provides, such as of agency organization, operational processes, staff skills, and technologies, need expansion to connect them more explicitly with accomplishing a specific goal.

In addition, although the Results Act does not require that the performance plan specifically discuss the impact of external factors on achieving performance goals, we believe a discussion of such factors would provide a greater understanding of anticipated OTS performance.⁷ While the performance plan's general operating capital and staff section mentions certain external factors, such as a decline in its operating capital and new arrays of financial instruments, the plan does not describe actions to address these factors in the context of individual performance goals.

Connecting Resources to Strategies

The Results Act requires that the plan should briefly describe the capital, human, financial, and other resources being applied to achieve the performance goals. The OTS performance plan could more fully discuss the resources OTS will use to achieve performance goals. As previously mentioned, the plan provides a general section on organizational structure, operational processes, staff skills, revenue, and technologies. However, descriptions of the resources needed so that strategies can be implemented to achieve each performance goal are not discussed. For example, the plan observes that OTS is organized to efficiently carry out its mission using the most effective operational and management processes and that the agency requires a highly skilled and trained staff because of the complexity of its supervisory role. However, the plan does not describe how the current organization or current or

⁷See The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans (GAO/GGD-10.1.20, Apr. 1998).

anticipated staff resources may need to be changed to meet performance goals, or how the existing organizational structure contributes to achievement of individual performance goals. As a result, it is not clear what resources OTS needs to achieve specific strategies and corresponding performance goals.

The Plan Should Provide Sufficient Confidence That Performance Information Will Be Credible

Results Act guidance states that performance plans should describe credible procedures to verify and validate the measured values of actual performance. The plans should also identify significant data limitations and discuss how they or other factors affect the credibility of performance information. The OTS plan discusses verification and validation procedures but could be strengthened by having an external assessment of performance information, thus enhancing the credibility of this information. In addition, it would be useful for the performance plan to discuss data limitations.

Verifying and Validating Performance

Results Act guidance states that the plan should describe credible procedures to verify and validate the measured values of actual performance. The agency should have in place procedures for ensuring that the data are free of significant levels of error and that bias is not introduced. These procedures can include internal controls over such matters as data collection, maintenance, and entry. External assessments such as audits, evaluations, and peer reviews are other important procedures for verifying and validating performance information.

The plan discusses how OTS will ensure that its performance information is complete, accurate, and consistent and generally appears to meet Results Act expectations. For example, the plan describes the methodology used to assess the level of performance for each performance measure and to verify the measured values. The methodology includes reviews of sample measurement information, reviews for quality assurance, and reviews of reports by various management levels. All of these reviews are to be conducted by internal management and program staff.

OTS officials explained that the agency's performance data are reviewed internally and independently checked through system controls. In addition, the officials believed that most measures are objective and are not open to interpretation, although they acknowledged that data collection and interpretation has differed across thrifts and various OTS regions. They added that OTS has internal controls in place and that an independent audit is done by an external certified public accounting firm. However, we believe that more focused external

assessments, such as audits, evaluations, and peer reviews of specific performance information, would enhance the credibility of the data.⁸

Recognizing Data Limitations

The Results Act guidance states that, as appropriate, the plan should identify and describe in sufficient detail the specific performance data required, as well as the means for collecting, maintaining, and analyzing the data to allow an assessment of the extent to which they can be relied on. The OTS performance plan would be more useful if it identified significant data limitations in either internal or external data sources or the implications of such limitations on assessments of performance or goal achievements.

For both internal and external sources, potential significant data limitations could be caused by such factors as inconsistencies in data collection in different locations, imprecise measurement and recording, or incomplete data. For example, as noted previously, OTS has experienced inconsistencies in how regions collect and interpret data. In addition, as with data verification and validation, a shift to outcome-oriented performance information could create data limitation issues in the future because of the resulting greater dependence on external data sources, such as thrift institutions or other regulatory agencies.

Agency Comments

We provided OTS officials with a draft of our observations and met with them on July 13, 1998, to discuss our observations and to obtain their comments. In addition, on August 28, 1998, you provided us written comments on a draft of this letter. Your comments are contained in an enclosure to this letter.

As noted in your comments, OTS plans to incorporate many of our suggestions into its 1999 performance plan. Specifically, OTS plans to (1) revise performance goals and measures to more fully address strategic plan goals; (2) explicitly set forth OTS' current strategies for achieving results; (3) indicate OTS' crosscutting efforts with other financial regulatory agencies; and (4) more clearly discuss data verification and validation and data limitations, as appropriate. OTS is also setting up an internal review office to help the agency fulfill the Results Act requirement for credible data.

In your comments, you stated that you appreciated our observation that the OTS plan should include measurable objectives in its performance goal statements. We had primarily noted that most OTS performance goals had single measures and that OTS could consider incorporating these single measures into self-measuring goal statements. Performance goals that are not self-measuring could be defined by specific performance measures. In its 1999 performance plan, OTS intends to use the option of having performance indicators

⁸See GAO/GGD-10.1.20.

(measures) set out specific, measurable values or characteristics related to each performance goal.

You also stated that you agree with us that performance plans should include outcome-oriented goals, but appear to disagree with our observation that additional outcome goals are warranted. You note that OMB's July 1998 guidance states that measures of output can be the predominant goals and indicators in an annual performance plan. However, the same guidance states that, as a general rule, outcome goals should be included in an annual performance plan, whenever possible. The guidance also states that most plans will supplement outcome goals with measures of output. Fundamentally, our interest is in making performance plans as useful to decisionmakers as possible. This can be done through the inclusion of outcome measures whenever possible. In its report accompanying the Results Act 1993, the Senate Committee on Governmental Affairs noted that outcome goals are usually the most important for policy purposes, and that a common weakness in program performance plans is an overreliance on output measures, to the neglect of outcomes.

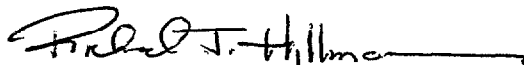
Your comments also note that, based on a reading of the latest OMB guidance, it is not necessary to connect specific resources to each and every strategy in the performance plan. It was not our intent to make such a suggestion, and we have clarified the wording in our letter. In addition, based on your comments, we incorporated other technical changes into this letter, as appropriate.

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We are sending copies of this letter to the Chairman and Ranking Member of the House Committee on Banking and Financial Services and the Director, Office of Management and Budget. We will also make copies available to others on request.

The report was prepared under the direction of Kane Wong, Assistant Director. Other major contributors to this report are listed in the enclosure. Please contact me at (202) 512-8678 or Mr. Wong at (415) 904-2123 if you or your staff have any questions.

Sincerely yours,



Richard J. Hillman
Associate Director, Financial Institutions
and Markets Issues

Enclosures

Comments From OTS



Office of Thrift Supervision
Department of the Treasury

Ellen Seidman
Director

1700 G Street, N.W., Washington, DC 20552 • (202) 906-6590

August 28, 1998

Mr. Richard J. Hillman
Associate Director
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Financial Institutions and Markets Issues
441 G. Street, N.W. - Mail Stop 2A28
Washington, D. C. 20548

Dear Mr. Hillman:

Thank you for your draft comments on OTS' performance plan. GAO's interest in our plan is appreciated. We were pleased to discuss our plan at the May 19th and July 13th meetings and we welcome this opportunity to respond to the concerns expressed in GAO's draft letter.

The OTS believes that complying with the Results Act is an evolving process with which all government agencies are struggling. We value GAO's comments and we are striving to incorporate many of them into our 1999 plan. As suggested by GAO, we are revising our performance goals and measures to more fully address our strategic plan goals. Our 1999 plan will explicitly set forth OTS' current strategies to achieve results and will also indicate OTS' numerous crosscutting efforts with other financial institution regulatory agencies. In addition, we recognize that our plan would be more useful if we had enhanced data verification and validation and discussed data limitations as appropriate. We are setting up an internal review office, in part, to further help us fulfill this Results Act requirement.

GAO's comment that the OTS plan should include measurable objectives in its performance goal statements is appreciated. We referred to section 220.9(a) of OMB's recently revised A-11 guidance that states "performance goals usually have a numerical target level or other measurable value." We also went on to review section 220.9(b) which states, "GPRA also allows an agency to define a performance goal in a way that is not self-measuring... if... the agency... includes in its plan one or more performance indicators for that goal. The performance indicators shall set out specific, measurable values or characteristics related to the performance goal, which will aid in determining goal achievement." The OTS has patterned its 1999 performance plan after this second option as it would allow the performance goal to remain the same year after year while the performance measure target changes. We believe this option more readily facilitates year-to-year performance goal comparisons, as required by Treasury.

Mr. Richard J. Hillman
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OTS agrees with GAO that performance plans should include outcome-oriented goals and as you noted we have attempted to do so in a number of instances. However, we note that section 220.9(b) of the new A-11 guidance states "Measures of output can be the predominant goals and indicators in an annual performance plan as:

- outcome goals, other than those being accomplished at a continuing, sustained level, may not be scheduled for achievement in the fiscal year covered by the performance plan;
- an agency is likely to have more output goals than outcome goals; and
- as the frequency and nature of performance data for outputs allows for periodic assessment and intervention, managers often manage to outputs."

I have some reservation about one of GAO's comments. Your draft letter states "the plan could be improved by better connecting strategies to results and connecting resources to strategies." As stated above, the OTS agrees with the first part of this sentence and will include a section in its 1999 plan describing OTS' strategies to achieve results. I do not believe that it is necessary to connect specific resources to each and every strategy listed in our plan however. The new A-11 guidance states in section 220.11 that "The annual performance plan includes a description of the resources, processes, and technologies required to achieve the performance goals and indicators. These are the means the agency will employ, and can span operational processes, skills and technology, and human capital, information, funding or other resources. The descriptions of these needs should be brief, focusing on the resources, processes, and technologies reflected in the budget request..." I can find no suggestion in the new A-11 guidance that resources should be linked to strategies. The OTS' 1999 plan will include a multitude of strategies. Connecting OTS' resources to a vast array of strategies appears to be unduly cumbersome and would neither improve our program management nor help communicate to OTS' external audiences how the OTS achieves its goals.

There are two statements in your draft letter that we believe should be modified or deleted. On page 12 the statement is made "The officials said it is often difficult to show where OTS' supervisory intervention has directly influenced the health of an institution." We believe that the following two sentences would more appropriately reflect our comments and are an effective substitute: "The officials said it is often difficult to show where the health of an institution is directly attributable to OTS' supervisory intervention. This is particularly the case in good economic times when the vast majority of institutions are healthy." On page 23 your letter contains the statement: "They believed that it would take several more years for OTS to completely move from its current focus on outputs to a more results-oriented strategic and performance planning process." We recommend that this be deleted, as the OTS does not believe that its plans are output-focused but currently contain a good mix of both outputs and outcomes.

Enclosure I
Comments From OTS

Mr. Richard J. Hillman
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We remain open and interested in any comments you may have regarding our Performance Plan.
Please do not hesitate to contact me at (202) 906-6590 if I may be of further assistance.

Sincerely,



Ellen Seidman
Director

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Related GAO Products

Results Act: Observations on Treasury's Fiscal Year 1999 Annual Performance Plan
(GAO/GGD-98-149, June 1998).

Managing for Results: Experiences of Selected Credit Programs
(GAO/GGD-98-41, Feb. 19, 1998).

The Results Act: Observations on Draft Strategic Plans of Five Financial Regulatory Agencies
(GAO/T-GGD-97-164, June 29, 1997).

Managing for Results: Regulatory Agencies Identified Significant Barriers to Focusing on Results (GAO/GGD-97-83, June 24, 1997).

Managing for Results: Analytic Challenges in Measuring Performance
(GAO/HEHS/GGD-97-138, May 30, 1997).

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