More Information on Leverage Measures' Accuracy and Linkage to Program Goals Is Needed in Assessing Performance

What GAO Found

The leverage measures (such as ratios) HUD and Treasury reported for the selected programs in performance, budget, and other documents lacked transparency because the agencies generally did not disclose the limitations of the data or the methods used to calculate them. Based on its review of available leveraging data and interviews with HUD and Treasury officials, GAO found that the leverage measures the agencies reported for the selected programs were based on incomplete data and thus did not capture the actual extent of leveraging in the programs. GAO also found that while the agencies generally reported measures that described the ratio of all other funds (federal, state, local, and private funds) to program funds, alternative measures that described the total federal investment or total private investment in a program provided considerably different results—also potentially of value to decision makers—about the extent of leveraging in a program. GAO regularly has reported that clearly communicating data limitations and their potential impact may foster appropriate use of data; however, no agency-specific or governmentwide guidance directs what agencies should disclose about the leverage measures they report for the selected programs. Consequently, absent specific information on how these measures were calculated and their limitations, decision makers would not have sufficient information to understand their meaning and determine how they could and should be used in performance assessment, budgeting, and other contexts.

Leverage measures can provide basic information about the programs GAO reviewed; however, their relevance in assessing the performance of these programs varies considerably. For all of the programs GAO reviewed, leverage measures can describe inputs, or the resources used to support program activities, and may be useful for conveying basic financial information. To the extent that leveraging is a goal or expected activity of a program (as in the three Treasury programs), leverage measures generally can describe program outputs, or the products or services delivered (such as total leveraged funds), and may be used along with other performance indicators to assess the efficiency and effectiveness of a program in meeting its goals. In cases where leveraging is not clearly and appropriately linked to program goals and activities (as in the three HUD programs), use of such measures to describe program outputs could be misleading and result in adverse consequences. Although leveraging had limited relevance to the goals and activities of the selected HUD programs, GAO found that the Office of Management and Budget (OMB) and the agency often cited leverage measures for the programs in performance- and budget-related reviews and documents. Their continued use of leverage measures in these contexts could unnecessarily encourage HUD to place more importance on leveraging than meeting the stated goals of the selected programs.