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# Observations on the U.S. Agency for International Development's Strategic Plan

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On July 11, 1997, we issued a report on the U.S. Agency for International Development's (USAID) draft strategic plan (The Results Act: Observations on USAID's November 1996 Draft Strategic Plan, [GAO/NSIAD-97-197R](#)). USAID submitted its formally issued strategic plan to OMB and Congress on September 30, 1997. As requested, we have reviewed the publicly issued strategic plan and compared it with the observations in our July 11 report. On October 24, 1997, we briefed your staffs on our further observations on USAID's strategic plan. We summarize the key points from that briefing herein.

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## Summary of Key Observations From Our July Report

USAID's November 1996 draft strategic plan included the six elements required by the Results Act. However, two components of the plan—sections on (1) relating performance goals to general goals and objectives and (2) program evaluations—did not contain sufficient information to fully achieve the purposes of the Results Act and related OMB guidance. More specifically, these sections did not include a discussion of performance goals, relevant evaluation findings USAID used to develop its plan, or USAID's plan for conducting future evaluations.

Many agencies are involved in activities directly related to USAID's mission, goals, and objectives, and there is potential for crosscutting issues. Nevertheless, the draft strategic plan did not address areas of possible duplication and USAID's efforts to minimize them or the extent to which USAID relies on other agencies to meet its goals and objectives.

We also observed that the draft plan did not address key management challenges that the agency faces. The plan provided a general description of recent management initiatives but did not discuss how effective these initiatives have been in resolving critical management problems USAID has acknowledged in nearly all areas of its operations. In particular, the plan did not describe difficulties USAID has encountered in developing a performance measurement system, in reforming its personnel systems, in implementing the Chief Financial Officers Act of 1990 (P.L. 101-576), and in deploying a new information management system that is intended to correct several material weaknesses in its financial management processes.

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## Improvements Were Made in USAID's September Strategic Plan

USAID's publicly issued strategic plan incorporated some improvements that make it more responsive to the requirements of the Results Act. In particular, USAID has developed performance goals related to the agency's overall goals and objectives. These goals generally appear to be objective, quantifiable, and measurable. The rationale and data sources for the indicators are described in detail in an appendix to the plan. Although the performance goals presented are generally long-term ones, it appears that USAID will be able to derive required annual performance goals from many of them in the future. We did not evaluate the appropriateness of these indicators or the reliability of the data sources cited.

USAID's plan is clearer and more explicit about its long-term goals and objectives. The seven goals are clearly identified in narrative form, and both the goals and related objectives are presented graphically in an appendix. USAID has also improved this element of its plan by omitting other implicit goals, included in the November 1996 draft plan, that made it unclear what USAID intended to achieve. However, USAID's goals and objectives are targeted at results over which USAID does not have a reasonable degree of influence. As we previously reported,<sup>1</sup> USAID officials have acknowledged that in only a few cases have USAID's programs been directly linked to the types of country-level development results described in the plan.

With regard to strategies to achieve these goals, USAID's plan now includes the goal of improving its management efficiency and effectiveness, including the steps that it is taking in that regard, and indicators for measuring progress. Consistent with suggestions in our July report, the plan now also includes an explicit discussion of the program, support, and workforce resources USAID believes are necessary to achieve its performance goals. The plan presents resource needs at an aggregate level and does not specify the level of resources needed to achieve each of USAID's strategic objectives.

USAID's strategic plan also addresses other key issues, as we suggested in our July report, to improve the description of external factors affecting USAID's achievement of its strategic goals. The plan now discusses conditions, such as political unrest, natural disasters, and impacts of a shifting international economy, that are beyond USAID's control. The plan indicates that the impact of these factors can be offset by USAID field missions, which can monitor these conditions and modify USAID's approach accordingly. In addition, USAID's strategic plan more fully addresses the

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<sup>1</sup>Foreign Assistance: USAID's Reengineering at Overseas Missions (GAO/NSIAD-97-194, Sept. 12, 1997).

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contribution that USAID's development partners make toward achievement of the agency's goals and objectives. In particular, the plan identifies the commitment of other donor countries and multilateral agencies as the major external factor affecting USAID's performance.

USAID's plan now includes a discussion of crosscutting functions across the U.S. government. It recognizes that other agencies provide technical assistance to developing and transitional countries and that achievement of USAID's goals is affected by the actions of these agencies. The plan states that mechanisms are in place to reduce or minimize duplication at the field level, and for each goal it identifies those agencies with which it coordinates on related activities. However, it does not indicate what these coordination mechanisms are and lacks the information to demonstrate that they are adequate. The plan implies that only limited coordination with these other agencies on strategic planning has taken place and indicates that USAID anticipates expanded and ongoing interagency dialogue.

The plan more fully addresses key principles of the Foreign Assistance Act of 1961 (P.L. 87-195), as we suggested in our July report. For example, it more extensively discusses the principles of coordination of foreign assistance with other donors and supporting development goals chosen by the recipient country. However, it does not specifically address the principle of encouraging regional cooperation by developing countries.

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## **USAID's Strategic Plan Can Be Further Improved**

We suggested in our previous report that several elements of the USAID plan could be further improved to better meet the purposes of the Results Act. The plan still does not contain sufficient information on program evaluations. It does not show how program evaluations by USAID or external organizations were used to establish strategic goals and does not outline the scope, methodology, key issues, or schedule for future evaluations. Although the plan refers to other documents and means by which USAID communicates evaluation schedules and findings, a summary of that information would be appropriate in this section to demonstrate the role that program evaluation plays in USAID's strategic planning and results assessment.

Also, the plan still does not fully acknowledge the major management challenges USAID faces. Program and financial management issues are presented in terms of goals and strategies for improvement, without outlining what problems spur the need for greater improvement or what

difficulties USAID has encountered in its efforts to improve. For example, the plan indicates that USAID hopes to improve the availability of financial and program results information. However, it does not convey the significant problems USAID has had to date generating complete, timely, and reliable financial and performance data—problems that hamper USAID's ability to identify costs and measure performance. Nor does the plan establish a time frame for achieving substantial and verifiable improvement in this area. Frank acknowledgement of specific management challenges in the area of information technology is also absent from the strategic plan. The plan describes progress USAID has made in implementing a new management system but is silent on the major setbacks it is having with this implementation, even though this system will be critical to the success of financial and program management reforms. Similarly, the plan does not address information security and the Year 2000 problem, which we have identified as high-risk areas governmentwide. Instead of dealing with these issues directly, the plan refers to a Strategic Information Resource Management Plan that is said to set the direction for USAID to meet its information needs through 2002. A summary of the plan would be helpful, inasmuch as it acknowledges the hurdles USAID must overcome in achieving its goals.

While USAID recognizes its dependence on other donors and its susceptibility to factors beyond its control, as we had suggested, we believe that USAID has not adequately emphasized the importance of these issues. The plan could articulate the relative magnitude of USAID's assistance within the donor community to more clearly convey the extent of USAID's dependence on the contributions of other donors to meet the performance goals it has established. In addition, the plan could articulate the extent of USAID's ability to offset country and international conditions that hamper development to more realistically convey the magnitude of the risk and uncertainty that USAID faces in trying to achieve its goals.

Further, USAID's strategic plan does not specifically discuss its Economic Support Fund programs and its programs in the East European and Baltic states and newly independent states of the former Soviet Union. We noted in our July report and continue to believe that the plan could benefit from greater discussion of these activities, which directly serve U.S. foreign policy interests and represent about 60 percent of USAID's budget.

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## Other Observations

Concerning other possibilities for improvement, the plan could be clearer about the time frames needed for achieving performance goals and

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whether the goals apply to each recipient country individually or to all collectively. In some, but not all, cases this is clarified within the text of the appendix containing the rationale for the indicators used.

USAID substantially reorganized the strategic plan from the November 1996 version. Many key elements of the plan have been consolidated into one section with no indication of where one element ends and another begins. Separate sections or increased use of subheadings would significantly improve the presentation and the ease of using this plan.

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## Agency Comments

On October 10, 1997, we briefed USAID officials on our observations about the issued strategic plan. On November 3, 1997, USAID officials provided us with comments on a draft of this appendix. They generally believe that we have fairly recorded the progress made to date, but they provided additional comments and clarification of several points, which we have incorporated as appropriate. They acknowledged that in some cases, for the sake of brevity, the plan did not reflect the level of specificity that is called for by the OMB and our guidance, particularly with regard to program evaluations, crosscutting functions, and information resource management issues. They noted that such detail is readily available from other USAID sources and believe that including it in the plan would add little value and would unduly increase the plan's size. We continue to believe that the clarity and credibility of USAID's strategic plan could be improved with the inclusion of the type of detail we have outlined.

USAID officials also contended that the plan acknowledges USAID's management challenges by outlining management improvement strategies that would resolve the types of problems we raised. However, we believe that an explicit description of management challenges would provide the reader a better sense of the nature and gravity of the problems USAID must overcome and the implications for USAID's performance if it is not successful in overcoming these problems.

USAID officials also provided comments regarding the development of the strategic plan and the degree of USAID's influence on agency goals. The officials pointed out that their strategic plan was not formed from specific evaluations only, but also from the agency's long experience with the goal areas, public discussions, and consultations, as well as from evaluations conducted by USAID and others. In addition, USAID officials said that they believe that the goals in the strategic plan lie within the agency's sphere of influence, despite USAID's inability to directly link its programs to

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country-level results. They stated that USAID has been able to influence the use of the resources of other donors, which affects the development goals USAID seeks to achieve.

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**Prefatory material from the GAO report containing this appendix has been appended to provide context**

January 1998

# MANAGING FOR RESULTS

## Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges



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**General Government Division**

B-278878

January 30, 1998

The Honorable Richard K. Armey  
Majority Leader  
House of Representatives

The Honorable John Kasich  
Chairman, Committee on the Budget  
House of Representatives

The Honorable Dan Burton  
Chairman, Committee on Government  
Reform and Oversight  
House of Representatives

The Honorable Bob Livingston  
Chairman, Committee on Appropriations  
House of Representatives

In recent years, governments around the world, including ours, have faced a citizenry that is demanding that government become at the same time more effective and less costly.<sup>1</sup> These twin demands are the broad forces behind the move to a performance-based approach to management in public sector organizations—the most important effort to improve government management in over a generation. Congress enacted the Government Performance and Results Act of 1993, commonly referred to as “GPRA” or “the Results Act,” in conjunction with the Chief Financial Officers (CFO) Act and information technology reform legislation, such as the Clinger-Cohen Act of 1996, 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 the activities—such as grants and inspections made—to a focus on the results of those activities—such as real gains in employability, safety, responsiveness, or program quality. Under the Act, agencies are to develop strategic plans,

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<sup>1</sup>See, for example, *Managing for Results: Experiences Abroad Suggest Insights for Federal Management Reform* (GAO/GGD-95-120, May 2, 1995); *Managing for Results: State Experiences Provide Insights for Federal Management Reforms* (GAO/GGD-95-22, Dec. 21, 1994); and *Government Reform: Goal-Setting and Performance* (GAO/AIMD/GGD-95-R, Mar. 27, 1995).

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annual performance plans, and annual performance reports.<sup>2</sup> The Office of Management and Budget (OMB) is also to prepare the annual federal government performance plan that is based on the performance plans of individual agencies. Agencies submitted the first cycle of the strategic plans to Congress and OMB in September 1997. The first federal government performance plan is to be submitted to Congress in February 1998 with the President's fiscal year 1999 budget; and the first annual performance plans, which were to be submitted to OMB in the fall of 1997, are due to Congress after the submission of the President's budget.

On October 30, 1997, we submitted a statement for the record at the request of the House Committee on Government Reform and Oversight on those strategic plans.<sup>3</sup> As requested, this report builds upon that statement to (1) summarize our observations on agencies' September plans and (2) provide additional information on how the next phase of the Results Act's implementation—performance planning and measurement—can be used to address the critical planning issues we observed in reviewing the September strategic plans.<sup>4</sup>

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## Scope and Methodology

This report is based on our reviews of 24 major agencies' strategic plans that were formally submitted to Congress and OMB by September 30, 1997. To do these reviews, we used the Results Act supplemented by OMB's guidance on developing the plans (Circular A-11, part 2) as criteria to determine whether the plans contained the six elements required by the Act. As agreed, we focused our reviews on the progress of agencies' strategic planning efforts, specifically their efforts to improve their strategic plans, with particular attention to the key planning challenges that are most in need of sustained attention. Agencies included in our analysis are listed in appendix I, and our observations on individual agencies are summarized in appendixes II through XXV. To gather information on how annual performance planning and measurement could be used to address the critical planning challenges we observed in our reviews of the September plans, we relied on our recent report on critical

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<sup>2</sup>Agencies are required to submit to the President and Congress annual reports on program performance for the previous fiscal year (the first reports for fiscal year 1999 are due by March 31, 2000) reviewing the agencies' success in achieving the performance goals established in their annual performance plans.

<sup>3</sup>Managing for Results: Building on Agencies' Strategic Plans to Improve Federal Management (GAO/T-GGD/AIMD-98-29, Oct. 30, 1997).

<sup>4</sup>See Managing For Results: Critical Issues for Improving Federal Agencies' Strategic Plans (GAO/GGD-97-180, Sept. 16, 1997) for a discussion of the critical planning issues we first observed in the draft strategic plans agencies used during their consultations with Congress last summer.

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challenges needing sustained attention, our report on governmentwide implementation of the Results Act, our guidance for congressional review of Results Act implementation, and our guidance on effectively implementing the Act.<sup>5</sup>

We reviewed individual agency plans from September 30, 1997, through November 1997. Our work was conducted in accordance with generally accepted government auditing standards. We provided a draft of this report for comment to the Director of OMB on January 5, 1998; a discussion of OMB's comments appears at the end of this letter. In addition, we provided drafts of the appendices we prepared on individual agency plans to the relevant agencies for comment. The comments from those agencies are summarized in the relevant appendixes.

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## Results in Brief

On the whole, agencies' September plans appear to provide a workable foundation for Congress to use in helping to fulfill its appropriations, budget, authorization, and oversight responsibilities and for agencies to use in setting a general direction for their efforts. These plans represent a significant improvement over the draft plans we reviewed last summer. For example, we found that all but six of the draft plans were missing at least one element required by the Results Act, and about a third were missing two of the six required elements. In contrast, the September plans we reviewed contained at least some discussion of each element required by the Act. And, in many cases, those elements that had been included in the draft plans were substantially improved.

Nonetheless, agencies' strategic planning efforts are still very much a work in progress. Our reviews of September plans indicate that continued progress is needed in how agencies address three difficult planning challenges: setting a strategic direction, coordinating crosscutting programs, and ensuring the capacity to gather and use performance and cost data. First, we found that agencies can build upon their initial efforts to set a strategic direction for their programs and activities. Specifically, many of the strategic goals contained in the September plans did not focus on results to the extent feasible and were not always expressed in a manner conducive to assessing progress in terms of actual performance. Also, the plans often did not clearly link planning elements, such as

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<sup>5</sup>See [GAO/GGD-97-180](#), Sept. 16, 1997; [The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven \(GAO/GGD-97-109](#), June 2, 1997); [Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review \(GAO/GGD-10.1.16](#), May 1997); and [Executive Guide: Effectively Implementing the Government Performance and Results Act \(GAO/GGD-96-118](#), June 1996).

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strategic goals, objectives, and strategies. In addition, many of the strategies were incomplete and underdeveloped in that they lacked a discussion of how agencies would accomplish goals. For example, some plans lacked information on resources needed to achieve goals or failed to address critical issues, such as unreliable information systems, that threaten agencies' ability to meet strategic goals and objectives.

The next stage in the Results Act's implementation—performance planning and measurement—can assist agencies in addressing the challenge of setting a strategic direction. As an agency develops its performance plan, which is to contain the annual performance goals it will use to track progress toward its strategic goals, it likely will identify opportunities to revise and clarify those strategic goals in order to provide a better grounding for the direction of the agency. Also, as agencies develop the objective, measurable annual performance goals as envisioned by the Act, those goals can serve as a bridge that links long-term strategic goals to agencies' daily operations. For example, an annual goal that is linked to a program and also to a long-term strategic goal can be used both to (1) hold agencies and their program offices accountable for achieving those goals and (2) assess the reasonableness and appropriateness of that strategic goal for the agency as a whole. In addition, annual performance planning can be used to better define strategies for achieving strategic and annual performance goals.

The Results Act's requirements for annual performance plans and performance measurement can also provide a structured framework for Congress, OMB, and agencies to address agencies' crosscutting programs—the second critical planning challenge. In our reviews of the September plans, we found that although agencies have begun to recognize the importance of coordinating crosscutting programs, it is important that they undertake the substantive coordination that is needed for the effective management of those programs. In a recent report on mission fragmentation and program overlap, we noted that Congress, OMB, and agencies can continue to use the Results Act as a framework for ensuring that goals for crosscutting programs are consistent and, as appropriate, that program efforts are mutually reinforcing.<sup>6</sup> Likewise, Congress and OMB can use this framework, including the OMB-prepared federal government performance plan, to facilitate the identification of program overlap, duplication, and fragmentation among federal agencies.

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<sup>6</sup>Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap (GAO/AIMD-97-146, Aug. 29, 1997).

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Finally, the third critical planning challenge is the need for agencies to have the capacity to gather and use sound program performance and cost data to successfully measure progress toward their intended results. For example, our work has shown that the lack of reliable, timely performance and cost data has hampered, and may continue to hamper, agencies' efforts to identify appropriate goals and confidently assess performance.<sup>7</sup> Our work has also shown that the September plans often did not adequately cover how program evaluations would be used to assess the contributions of programs to goal achievement and the appropriateness of those goals. Under the Results Act, agencies are also to discuss in their annual performance plans how they will verify and validate the performance information that they plan to use to show whether goals are being met. Verified and validated performance information, in conjunction with augmented program evaluation efforts, will help ensure that agencies are able to report progress in meeting goals and identify specific strategies for improving performance.

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## Background

The Results Act is the centerpiece of a statutory framework that Congress put in place during the 1990s to help resolve the long-standing management problems that have undermined the federal government's effectiveness and efficiency and to provide greater accountability for results. In addition to the Results Act, the framework comprises the CFO Act and information technology reform legislation, including the Paperwork Reduction Act of 1995 and the Clinger-Cohen Act of 1996. Congress enacted the CFO Act to remedy decades of serious neglect in federal financial management by establishing chief financial officers across the federal government and requiring the preparation and audit of annual financial statements. The information technology reform legislation is based on the best practices used by leading public and private sector organizations to manage information technology more effectively.<sup>8</sup>

Under the Results Act, strategic plans are the starting point and basic underpinning for performance-based management. In our report on agencies' draft strategic plans, we noted that complete strategic plans were crucial if they were to serve as a basis for guiding agencies' operations and be used to help congressional and other policymakers

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<sup>7</sup>GAO/GGD-97-109, June 2, 1997; and GAO/GGD-97-180, Sept. 16, 1997.

<sup>8</sup>See Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology (GAO/AIMD-94-115, May 1994) for a discussion of the consistent best practices used by senior managers in leading organizations.

make decisions about activities and programs.<sup>9</sup> The Act requires that an agency's strategic plan contain six key elements. These elements are (1) a comprehensive agency mission statement; (2) agencywide long-term goals and objectives for all major functions and operations; (3) approaches (or strategies) and the various resources needed to achieve the goals and objectives; (4) a description of the relationship between the long-term goals and objectives and the annual performance goals; (5) an identification of key factors, external to the agency and beyond its control, that could significantly affect the achievement of the strategic goals; and (6) a description of how program evaluations were used to establish or revise strategic goals and a schedule for future program evaluations.

Building on the decisions made as part of the strategic planning process, the Results Act requires executive agencies to develop annual performance plans covering each program activity set forth in the agencies' budgets.<sup>10</sup> The first annual performance plans, covering fiscal year 1999, are to be submitted to Congress after the President's budget is submitted, which is approximately February 1998. Each plan is to contain an agency's annual performance goals and associated measures, which the agency is to use in order to gauge its progress toward accomplishing its strategic goals. OMB is to use the agencies' performance plans to develop an overall federal government performance plan that is to be submitted with the President's budget. The performance plan for the federal government is to present to Congress a single cohesive picture of the federal government's annual performance goals for a given fiscal year.

## September Plans Included Required Elements and Addressed Many Weaknesses in Draft Plans

Agencies' September plans appear to provide a workable foundation for the continuing implementation of the Results Act. These plans represent a significant improvement over the draft plans we reviewed last summer.<sup>11</sup> In those reviews, we found that all but six of the draft strategic plans were missing at least one required element, and about a third were missing two of the six required elements. In addition, just over a fourth of those plans failed to cover at least three of the required elements. Moreover, we found that many of the elements included in the plans contained weaknesses—some that were more significant than others.

<sup>9</sup>GAO/GGD-97-180, Sept. 16, 1997.

<sup>10</sup>The term "program activity" refers to the listings of projects and activities in the appendix portion of the Budget of the United States Government. Program activity structures are intended to provide a meaningful representation of the operations financed by a specific budget account.

<sup>11</sup>See GAO/GGD-97-180, Sept. 16, 1997, for a list of our reports on 27 agencies' draft strategic plans (the 24 major agencies plus the U.S. Trade Representative, OMB, and the U.S. Postal Service).

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The agencies, on the whole, made a concerted effort during August and September to improve their plans. For example, all of the September plans we reviewed contained at least some discussion of each element required by the Act. And, in many cases, those elements that contained weaknesses were substantially improved by September. For example:

- The Department of Transportation explained more clearly how its mission statement is linked to its authorizing legislation.
- The Small Business Administration (SBA) improved its ability to assess progress toward its strategic goals by stating when specific performance objectives would be met.
- The Nuclear Regulatory Commission (NRC) better explained the scope of its crosscutting functions by identifying major crosscutting functions and interagency programs and its coordination with those agencies.
- The Department of Education improved its discussion of external factors that could affect its achievement of strategic goals by describing agency actions to mitigate against those factors.

Appendixes II through XXV contain our observations on the progress and remaining challenges of individual agencies' strategic planning efforts.

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## Critical Planning Challenges Remain to Be Addressed as Efforts Under the Results Act Proceed

Although the September plans appear to provide a workable foundation for the continuing implementation of the Results Act, we found that critical planning challenges remain. Among the remaining critical challenges are (1) clearly establishing a strategic direction for agencies by improving goal-setting and measurement; (2) improving the management of crosscutting program efforts by ensuring that those programs are appropriately coordinated to avoid duplication, fragmentation, and overlap; and (3) ensuring that agencies have the data systems and analytic capacity in place to better assess program performance and costs, improve management and performance, and establish accountability. The forthcoming annual performance planning and measurement processes offer agencies an opportunity to make progress in addressing these challenges.

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## Agencies Can Use the Annual Performance Planning Process to Build Upon Their Initial Efforts to Establish a Strategic Direction

By improving on their draft strategic plans, agencies' September plans undertook the first steps toward setting a strategic direction for their programs and activities. However, we found that the September plans often lacked clear articulation of the agency's strategic direction: (1) strategic goals and objectives were not as measurable and results oriented as possible, (2) linkages among planning elements were not clear, and (3) strategies for achieving those goals and objectives were incomplete or underdeveloped.<sup>12</sup> However, the performance planning and measurement phase of the Results Act offers agencies an opportunity to continue to refine their strategic directions.

In our reviews of agencies' September plans, we found that some agencies have begun to address the challenge of setting a strategic direction. For example:

- The most notable improvement in the plan for the Department of Health and Human Services (HHS) is the inclusion of an outline of strategic objectives for accomplishing the Department's six strategic goals. Those objectives are largely focused on outcomes and are defined in measurable terms. This plan also identifies for each strategic objective the key measures of progress. For example, one measure of progress for the outcome-oriented objective of "reducing the use of illicit drugs" is "death rate of persons aged 15 to 65 attributed to drug use."
- The September plans of the Departments of Agriculture, Education, and the Treasury now include helpful matrixes to link various planning elements, such as goals, objectives, measures, and programs or responsible organizational components. These matrixes are also useful in assessing a plan's underlying logic, determining programmatic accountability, and identifying crosscutting programs and potential duplication and overlap among program efforts. For example, Treasury's September plan contained an appendix that identified which bureau or office is responsible for achieving its Department-wide goals and objectives.
- The September plan for the Department of Energy (DOE) better explains how it plans to accomplish many of its goals. The plan provides greater specificity on the money, staff, workforce skills, and facilities that the agency plans to employ to meet its goals. For example, to support its national security goal, DOE's plan says it will need to change the skills of its workforce and how it constructs new experimental test facilities.

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<sup>12</sup>See [GAO/GGD-97-180](#), Sept. 16, 1997; and [GAO/T-GGD/AIMD-98-29](#), Oct. 30, 1997, for background information on the critical strategic planning issues we identified in our prior work.

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Although improvements were not isolated to these agencies, we also found that agencies need to further clarify their strategic directions if the Results Act is to be effective in guiding the agencies and informing congressional and other decisionmakers. The goals and objectives of many agencies could be more results oriented and expressed in a manner that will better allow for a subsequent assessment of whether the goals and objectives have been achieved. For example, the plan for the Department of Veterans Affairs (VA) contains the following objectives supporting the goal for its compensation and pension area: “(1) evaluate compensation and pension programs and (2) modify these programs, as appropriate.” Also, although the first goal in the Social Security Administration’s (SSA) September plan “[t]o promote valued, strong, and responsive social security programs and conduct effective policy development, research, and program evaluation” sets a strategic direction for the agency, it could be stated in more measurable terms to better enable the agency to make a future assessment of whether it is being achieved.

Another challenging area for agencies in setting strategic direction in the September plans was to establish linkages among planning elements, such as goals, objectives, and strategies. For example, Treasury’s plan says that the Internal Revenue Service (IRS) has a role in three law enforcement objectives—to reduce counterfeiting, money laundering, and drug smuggling. However, the IRS plan contained no specific strategy to help achieve any of those objectives. In another example, the September plan for the Federal Emergency Management Agency (FEMA) included lists of objectives and strategies under each goal with no explanation of how the strategies would contribute to achievement of the objectives.

Another weakness of agencies’ September plans was incomplete and underdeveloped strategies for achieving long-term strategic goals and objectives. More specifically, we found that agencies did not always provide an adequate discussion of the resources needed to achieve goals. For example, SBA’s September plan did not contain any discussion on the resources, such as human resources and information technology, needed to achieve its goals. Although other plans we reviewed discussed resources, the discussions were incomplete. For example, few plans discussed the physical capital resources, such as facilities and equipment, needed to achieve their goals. Although many agencies may not rely heavily on physical capital resources, even the plans of some of those that do, such as the General Services Administration and the National Park

Service, a component of the Department of the Interior, did not provide a focused discussion of their capital needs and usage.

The role that information technology played, or can play, in achieving agencies' long-term strategic goals and objectives was generally neglected in the September plans. The government's track record in employing information technology is poor, and the strategic plans we reviewed often contained only limited discussions of technology issues. For example, most of the Department of Defense's (DOD) strategic goals are fundamentally linked to information technology. However, we have placed DOD's management of critical information management processes on our high-risk list. We believe DOD's strategic plan would be significantly enhanced if it more explicitly linked its strategic goals to a strategy for improving management and oversight of information technology resources. Additionally, DOD should recognize the dramatic impact the Year 2000 problem will likely have on its computer operations, including the mission-critical applications identified in its strategic plan.<sup>13</sup>

The Department of State's September plan also does not specifically address the serious deficiencies in State's information and financial accounting systems. Rather, the plan notes, in more general terms, that it will take State several years to develop performance measures and related databases in order to provide sufficient information on achievement of its long-term goals. The lack of such a discussion in many of the plans is of particular concern because, without it, agencies cannot be certain that they are (1) addressing the federal government's information technology problems and (2) better ensuring that technology acquisition and use are targeted squarely on program results.

#### Annual Performance Planning and Measurement Offers Agencies Opportunity to Better Clarify a Strategic Direction

Strategic planning—setting a strategic direction for agency operations—did not end with the submission of a strategic plan to Congress last September. Performance-based management, as envisioned by the Results Act, is not a linear, sequential process but, rather, an iterative one in which strategic and performance planning cycles will result in subsequent revisions to both strategic and annual performance plans. Each cycle of strategic planning and performance planning, particularly in the first few years of governmentwide implementation of the Results Act, will likely result in agencies making significant changes and improvements in those documents.

<sup>13</sup>On January 1, 2000, many computer systems, including DOD and defense contractor systems, if not adequately modified, will either fail to run or malfunction simply because the equipment and software were not designed to accommodate the change of the date to the new millennium. See The Results Act: Observations on DOD's Draft Strategic Plan (GAO/NSIAD-97-219R, Aug. 5, 1997).

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Consequently, agencies can continue to address the critical planning challenges associated with setting a strategic direction as they develop their first annual performance plans. For example, the process of defining targeted levels of performance within set time frames and providing baselines against which to compare actual performance will likely produce opportunities for agencies to revisit and improve upon their strategic goals and objectives so that those goals are as results oriented and measurable as they can be.

If successfully developed, those annual performance goals can function as a bridge between long-term strategic planning and day-to-day operations, thereby assisting agencies in establishing better linkages among planning elements. For example, agencies can use performance goals to show clear and direct relationships in two directions—to the goals in the strategic plans and to operations and activities within the agency. By establishing those relationships, agencies can (1) provide straightforward roadmaps that show managers and staff how their daily activities can contribute to attaining agencywide strategic goals, (2) hold managers and staff accountable for contributing to the achievement of those goals, and (3) provide decisionmakers with information on their annual progress in meeting the goals. As agencies gain experience in developing these annual performance goals, they likely will become better at identifying and correcting misalignment among strategic goals, objectives, and strategies within their plans.

The importance of clearly showing how strategies are linked to goals is underscored by the Results Act requirement that annual goals are to be based on budgetary program activities. Unlike previous federal reform initiatives, the Results Act requires agencies to plan and measure performance using the same program activity structures that form the basis for their budget requests. However, we have found that the relationships among the budget structures, performance plans, and strategic plans will require coordinated and recurring attention by Congress, OMB, and agencies as they move to implement the annual performance planning and measurement phase of the Act.<sup>14</sup> This attention is important because the wide variability of the budget structures indicates that the suitability of those structures for the Results Act's performance planning and measurement will also vary.

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<sup>14</sup>Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation (GAO/AIMD-97-46, Mar. 27, 1997).

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For example, we reported in 1997 that agency officials we spoke with confirmed the varying suitability of their program activity structures for the Results Act's purposes.<sup>15</sup> One agency successfully worked through its recent performance-planning process using its existing program activities. A second agency had a program activity structure that reflected its organizational units—a structure that is useful for traditional accountability purposes, such as monitoring outputs and staff levels—but less useful for results-oriented planning. Still other agencies separated performance planning from program activity structures, believing it necessary to first establish appropriate program goals, objectives, and measures before considering the link to the budget. These agencies planned to rely on the Results Act's provision to aggregate, disaggregate, or consolidate program activities in constructing their annual performance plans.

In addition, annual performance planning can be used to better define strategies for achieving strategic and annual performance goals. For example, annual performance plans provide agencies with another opportunity to further discuss strategies for information technology investments and the operational improvements expected from those investments. The annual performance plans should also provide annual performance measures that Congress and other decisionmakers can use to determine if those investments are achieving the expected improvements. Thus, annual performance planning and measurement can provide decisionmakers with an early warning of information investment strategies that need to be revisited.

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## Agencies and Congress Can Use Performance Planning to Address Crosscutting Program Efforts

A focus on results, as envisioned by the Results Act, implies that federal programs that contribute to the same or similar results should be closely coordinated to ensure that goals are consistent and, as appropriate, program efforts are mutually reinforcing.<sup>16</sup> We have found that uncoordinated program efforts can waste scarce funds, confuse and frustrate program customers, and limit the overall effectiveness of the federal effort.<sup>17</sup> This suggests that federal agencies are to look beyond their organizational boundaries and coordinate with other agencies to ensure that their efforts are aligned and complementary.

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<sup>15</sup>GAO/AIMD-97-46, Mar. 27, 1997

<sup>16</sup>GAO/AIMD-97-146, Aug. 29, 1997.

<sup>17</sup>GAO/GGD-97-109, June 2, 1997.

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Agencies' September plans show progress in this area, but coordination of crosscutting programs continues to be a strategic planning challenge. During the summer of 1996, in reviewing early strategic planning efforts, OMB alerted agencies that augmented interagency coordination was needed at that time to ensure consistency among goals in crosscutting programs areas. However, the draft strategic plans we reviewed during the summer of 1997 often lacked evidence that agencies in crosscutting program areas had worked with other agencies to ensure that goals were consistent; strategies were coordinated; and, as appropriate, performance measures were similar.

Agencies' September plans better described crosscutting programs and coordination efforts. Some plans, for example, contained references to other agencies that shared responsibilities in a crosscutting program area or discussed the need to coordinate their programs with other agencies. For example, as noted earlier, NRC better explained its crosscutting functions in its September plan. In addition, the Environmental Protection Agency's (EPA) plan contains an appendix that lists the federal agencies with which EPA coordinated. This appendix describes the major steps in the coordination process and lists by strategic goal the agencies with which EPA believes greater integration and review of efforts will be needed. Similarly, the plan for the Department of Transportation contains a table that shows the contributions of other federal agencies to each of its major mission areas. NRC's, EPA's and Transportation's plans illustrate the kind of presentation that could be especially helpful to Congress and the administration in identifying program areas to monitor for overlap and duplication.

These presentations, and similar ones in other agencies' September plans that identify agencies with crosscutting programs, also provide a foundation for the much more difficult work that lies ahead—undertaking the substantive coordination that is needed to ensure that those programs are effectively managed. For example, in an improvement over its draft plan, the Department of Labor's September plan refers to a few other agencies with responsibilities in the area of job training programs and notes that Labor plans to work with them. However, the plan contains no discussion of what specific coordination mechanism Labor will use to realize efficiencies and possible strategies to consolidate job training programs to achieve a more effective job training system.

Our work has shown that the next phases of the Results Act's implementation will offer a structured framework to address crosscutting

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issues.<sup>18</sup> For example, the Act's emphasis on results-based performance measures as part of the annual performance planning process should lead to more explicit discussions concerning the contributions and accomplishments of crosscutting programs and encourage related programs to develop common performance measures. As agencies work with OMB to develop their annual performance plans, they can consider the extent to which agency goals are complementary and the need for common performance measures to allow for cross-agency evaluations. Also, the Results Act's requirement that OMB prepare a governmentwide performance plan that is based on the agencies' annual performance plans can be used to facilitate the identification of program overlap, duplication, and fragmentation.

Our work also indicates that if agencies and OMB use the annual planning process to highlight crosscutting program efforts and provide evidence of joint planning and coordination of those efforts, the individual agency performance plans and the governmentwide performance plan should help provide Congress with the information needed to identify agencies and programs addressing similar missions. Once these programs are identified, Congress can consider the associated policy, management, and performance implications of crosscutting program efforts and whether individual programs make a sufficiently distinguishable contribution to a crosscutting national issue. This information should also help identify the performance and cost consequences of program fragmentation and the implications of alternative policy and service delivery options. These options, in turn, can lead to decisions concerning department and agency missions and the allocation of resources among those missions.<sup>19</sup>

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### Performance Planning Can Assist Agencies in Building the Capacity to Gather, Process, and Analyze Performance and Program Cost Information

Our previous work has shown that agencies need to have reliable data during their planning efforts to set realistic goals and later, as programs are being implemented, to gauge their progress toward achieving those goals.<sup>20</sup> In addition, in combination with an agency's performance measurement system, a strong program evaluation capacity is needed to provide feedback on how well an agency's activities and programs contributed to achieving its goals and to identify ways to improve

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<sup>18</sup>GAO/AIMD-97-146, Aug. 29, 1997.

<sup>19</sup>GAO/AIMD-97-146, Aug. 29, 1997.

<sup>20</sup>GAO/GGD-97-109, June 2, 1997.

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performance.<sup>21</sup> However, our work has also found serious shortcomings in agencies' ability to generate reliable and timely data to measure their progress in achieving goals and to provide the analytic capacity to use that data. The Results Act's requirement that annual performance plans discuss the verification and validation of data provides agencies with an opportunity to be forthcoming about data limitations and to show how those limitations will be addressed. Verified and validated performance information, in conjunction with augmented program evaluation efforts, will help ensure that agencies are able to report progress in meeting goals and identify specific strategies to improve performance.

The absence of both sound program performance and cost data and the capacity to use those data to improve performance is a critical challenge that agencies must confront if they are to effectively implement the Results Act. Efforts under the CFO Act have shown that most agencies are still years away from generating reliable, useful, relevant, and timely financial information, which is urgently needed to make our government fiscally responsible. The widespread lack of available program performance information is equally troubling. For example, in our June report on a survey of managers in the largest federal agencies, we found that fewer than one-third of those managers said that results-oriented performance measures existed to a great or very great extent for their programs.<sup>22</sup>

Our work also suggests that even when performance information exists, its reliability is frequently questionable. For example, our work has shown that the reliability of performance data currently available to a number of agencies is suspect, because the agencies must rely on data collected by parties outside the federal government. In a recent report, we noted that the fact that data were largely collected by others was the most frequent explanation offered by agency officials for why determining the accuracy and quality of performance data was a challenge.<sup>23</sup> In our June 1997 report on the implementation of the Results Act, we also reported on the difficulties that agencies were experiencing as a result of their reliance on outside parties for performance information.<sup>24</sup>

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<sup>21</sup>Managing for Results: Analytic Challenges in Measuring Performance (GAO/HEHS/GGD-97-138, May 30, 1997).

<sup>22</sup>GAO/GGD-97-109, June 2, 1997.

<sup>23</sup>GAO/HEHS/GGD-97-138, May 30, 1997.

<sup>24</sup>GAO/GGD-97-109, June 2, 1997.

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Agencies are required under the Results Act to describe in their annual performance plans how they will verify and validate the performance information that will be collected. This section of the performance plan can provide important contextual information for Congress and agencies to address the weaknesses in this area. For example, this section can provide an agency with the opportunity to alert Congress to the problems the agency has had or anticipates having in collecting needed results-oriented performance information. Agencies can also use this section to alert Congress to the cost and data quality trade-offs associated with various collection strategies, such as relying on sources outside the agency to provide performance data and the degree to which those data are expected to be reliable. The discussion in this section can also provide Congress with a mechanism for examining whether the agency currently has the data to confidently set performance improvement targets and will later have the ability to report on its performance.

More broadly, continuing efforts to implement the CFO Act also are central for ensuring that agencies resolve their long-standing problems in generating vital information for decisionmakers. In that regard, the Federal Accounting Standards Advisory Board (FASAB) has developed a new set of accounting concepts and standards that underpin OMB's guidance to agencies on the form and content of their agencywide financial statements.<sup>25</sup> As part of that effort, FASAB developed managerial cost accounting standards that were to be effective for fiscal year 1997. These standards are to provide decisionmakers with information on the costs of all resources used and the costs of services provided by others to support activities or programs. Such information would allow for comparisons of costs across various levels of program performance.

However, because of serious agency shortfalls in cost accounting systems, the Chief Financial Officers Council—an interagency council of the CFOs of the major agencies—requested an additional 2 years before the standard would be effective. FASAB recommended extending the date by 1 year, to fiscal year 1998, with a clear expectation that there would be no further delays.

Under the Results Act, another aspect of performance planning is a requirement for agencies to discuss the use and planned use of program evaluations that can provide feedback on how well an agency's activities and programs contributed to the achievement of its goals and to assess the

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<sup>25</sup>FASAB was created in October 1990 by the Secretary of the Treasury, the Director of OMB, and the Comptroller General to consider and recommend accounting principles for the federal government. If accepted by Treasury, OMB, and GAO, the standards are to be adopted and issued by OMB and GAO.

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reasonableness and appropriateness of those goals. However, our recent report on agencies' draft plans stated that 16 of the 27 draft plans did not discuss program evaluations.<sup>26</sup> Although all the September plans included discussions of program evaluations, we continued to find weaknesses in those discussions. However, this is not surprising because agencies that had not undertaken program evaluations prior to the preparation of the first cycle of strategic plans would not likely be able to discuss in their September plans how they used program evaluations to help develop the plans.

Of greater concern, many agencies, including the Departments of Health and Human Services, Justice, and Labor, also did not discuss how they planned to use evaluations in the future to assess progress or did not offer a schedule for future evaluation as required by the Results Act. In contrast, the National Science Foundation's September plan contains a noteworthy exception to this trend. The plan discusses how the agency used evaluations to develop key investment strategies, action plans, and its annual performance plan. It also discusses plans for future evaluations and provides a general schedule for their implementation.

Over the longer term, the program performance information that agencies are to generate under the Results Act should be a valuable new resource for Congress to use in its program authorization, oversight, budget, and appropriation responsibilities. As we have noted before, to be most useful in these various contexts, that information needs to be consolidated with budget data and critical financial and program cost data, which agencies are to produce and have audited under the CFO Act.<sup>27</sup> This consolidated program performance, cost, and budget information, in conjunction with the annual performance plans, should provide congressional and other decisionmakers with a more complete picture of the results, operational effectiveness, and costs of agencies' operations.

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## Conclusion

Agencies, on the whole, made significant progress in improving their plans during August and September 1997. The strategic plans they formally submitted to Congress and OMB in September 1997 appear to provide a workable foundation for the continuing implementation of the Results Act. Nonetheless, the critical planning challenges that we found demonstrate that the effective implementation of performance-based management and

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<sup>26</sup>GAO/GGD-97-180, Sept. 16, 1997.

<sup>27</sup>Financial Management: Continued Momentum Essential to Achieve CFO Act Goals (GAO/T-AIMD-96-10, Dec. 14, 1995).

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accountability, as envisioned by the Results Act, is still, as to be expected, very much a work in progress.

Since performance-based management is not a linear, sequential process but, rather, an iterative one, each subsequent strategic and performance planning cycle can, and likely will, result in revisions to preceding planning documents. Therefore, Congress, OMB, and agencies' senior managers can use the next stage of performance-based management —performance planning and measurement—to ensure that agencies continue to address the critical planning challenges as well as maintain momentum on the implementation of the Results Act.

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## Agency Comments and Our Evaluation

On January 5, 1998, we provided a draft of this report to the Director of OMB for comment. We provided drafts of the appendixes we prepared on individual agency plans to the relevant agencies for comment, and the comments from those agencies are summarized in the relevant appendixes.

On January 13, 1998, a senior OMB official provided us with OMB's comments on this report. He generally agreed with our observations and said that the report was a useful compilation of our work on agencies' September strategic plans. The official also said that this report underscores that the implementation of the Results Act will be an ongoing, iterative process in which agencies will learn from their initial experiences in developing strategic plans and can then apply those lessons learned as they continue to develop strategic planning processes. In addition, the official provided technical comments that were incorporated in this report.

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As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies of this report to the Minority Leader of the House; the Ranking Minority Members of your Committees; other appropriate congressional committees; and the Director, Office of Management and Budget. We will also make copies available to others on request.

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If you have any questions concerning this report, please contact me on (202) 512-8676.

A handwritten signature in black ink that reads "J. Christopher Mihm". The signature is written in a cursive style with a large, stylized initial "J" and a prominent "M".

J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues