

APPENDIX D**PRESENTATION OF PROGRAM PERFORMANCE MEASURES**

The Overview for the annual financial statement should include objective, measurable data that disclose the manner in which the entity's program(s) performed. This information may increase the reader's ability to determine how well a program is performing, including achieving its intended results. It also will be useful in determining whether (1) objectives and/or operational practices for the program(s) should be changed and (2) additional steps are needed in order to achieve the program's objectives. Performance measures should not be limited only to those that relate to a reporting entity as a whole. Rather, performance measures specific to major programs within a reporting entity are critical.

A. Identify Mission, Goals, and Objectives of the Program(s). In each case, the overview should describe the entity's most significant programs and include the following:

1. A concise mission statement that also defines the major outputs of the organization.
2. A description of the goals and objectives for the major functions and improvement actions taken or planned to meet the goals and objectives.
3. Performance indicators used to measure/monitor achievement of the goals.

B. Present Key Program Performance Measures that Support Achievement of Goals and Objectives. Program performance measures should include, but are not limited to, output and outcome effectiveness measures for the major functions of the entity.

1. Program performance measures should be presented as follows:
 - a. Definition of the measure.
 - b. Source of the data, e.g., report name.
 - c. Description of goal and improvement strategies to include capital investments.
 - d. Performance against goal (actual against planned).
 - e. Change from prior year(s).
2. Performance measures have been specified (see Core Measures section) for some entities and must be used in the overview or provided as supplemental management information. If data are not available, the reason for not presenting the information should be stated and an alternative measure used.

C. Select Performance Measures. The next step is to select performance measures. They should be consistent with those used in the budget formulation and execution processes and consistent with the process for developing performance measures spelled out in the “Key Criteria for Performance Measurement” paper. The measures should show the extent to which the previously defined goals and objectives of the program(s) have been achieved. This can be accomplished by: (1) thinking of the purposes in terms of outputs (i.e., the services or goods produced), and outcomes (i.e., the impact of the performance(s) upon the individuals or groups benefiting from the program(s)); (2) identifying and considering the needs and suggestions of potential users; and (3) then specifying measures that reflect the achievement of both outputs and outcomes and meet users’ needs. For example, for a job training program, an output measure could be the number of graduates from the program; an outcome measure could be the number of graduates promoted within one year after graduation (as a result of the training program), in comparison with a sample of people who did not have the training. Output and outcome measures should generally be related to inputs (e.g., funding and staffing levels) to achieve both efficiency and effectiveness measures.

D. Obtain Data. Performance measurement selection should include a data collection plan. This data collection plan should describe a systematic process for collecting and evaluating the data. Prior year data (the past three to five years) should be available for descriptive analysis and for use in tables and graphs.

E. Analyze and Assess the Data. The preparer should analyze the performance data and identify variations from expected results, established goals and standards of performance, and data for similar programs. Data from prior years, if available, should be analyzed to determine if there are significant movements away from past trends and relationships and, if so, the implications for the future. Component managers also should attempt to ascertain the causes of trends and the likelihood of the continuation of trends. These should include both causes that management can control and causes that it deems uncontrollable. Of specific interest should be variations that can be tied to the results of the budget and appropriation processes. These analyses should include impact of budget formulation process on performance effectiveness measures. Major deviations from planned performance effectiveness levels should be explained as well as current management actions planned to achieve those planned goals.

F. Organize the Presentation. The preparer should organize the performance section in a way that shows the extent to which the objectives and most valued attributes have been achieved. Thus the presentation should contain, in narrative form, each program’s mission, goals, and objectives. It then should contain the measures related to the mission, goals, and objectives and data that show the performance for each measure. When possible, the data should show achievement, or non-achievement of objectives and projections of future trends in the measured program, provided the projections are based on data that have a clear correlation with future events. Finally, the presentation should contain, if applicable, the reasons a program's objectives were not achieved and the plans for achieving (or modifying) those objectives in subsequent years.

1. The presentation should address any legislative, policy, or budget changes needed to achieve the objectives, consistent with the President’s Budget.

2. The preparer should avoid presenting an excessive number of measures in the Overview. The most effective presentations generally are limited to from three to ten measures on each major program of the reporting entity. The measures chosen should be those that indicate the extent to which the objectives and most valued attributes of a program are being achieved. Additional measures can be presented in more extensive tables and charts in the Supplemental Financial and Management information. Presentation of performance measures should cover a three to five year period if data are available; provide graphic analyses using tables, etc.; and include concise narrative analysis or interpretation of such graphic materials.

3. Graphs and charts should be used, as appropriate, to support the presentation of performance information. DoD Components are strongly encouraged to make extensive use of graphs and charts for displaying financial and program information in the Overview of the Reporting Activity and in the Supplemental Financial and Management Information sections. Graphs and charts are quicker to read than narrative or financial statements. They provide a more lasting impression, particularly if the proper form of a graph or chart are used.

a. The relative sizes of individual components of a whole can be presented best with a pie chart or columnar graph. An example is the portion of a entity's total assets that are represented by each type of asset, e.g., cash, receivables, or inventories. Each type of asset would be displayed as a "slice" of the pie or a segment of a column.

b. A ranked comparison of several items should be presented with a bar chart. An example is a presentation that compares the days required by each of several centers to process an application or payment.

c. A display of the values of a particular item at different points in time is a time series. An example is the dollar volume of loans outstanding at the end of each of the last five years for a particular loan program. It can best be displayed with a columnar chart or line graph.

d. The frequency a particular condition occurs is called a frequency distribution. An example is the number of days a stock fund takes to deliver items of different values. It can be effectively presented with a columnar chart or line graph.

4. A program-based analysis is particularly important for the Department, since it operates multiple programs with diverse objectives, functions and activities. Each of the programs may have its unique operating characteristics and environment. For example, the Department administers revolving funds. These funds carry out certain commercial functions; however, these funds also incur costs to taxpayers should expenses and losses exceed revenues. Thus, the financial condition and operating results of each commercial-type activity must be subject to careful analysis in order to assess its current cost and future demand for Federal resources. When programs are dissimilar in their operations, an analysis of program specific accounting data can provide useful and relevant information for the evaluation of program efficiency and effectiveness.