May 15, 2007

PROGRAM ASSESSMENT RATING TOOL GUIDANCE NO. 2007- 03

TO: OMB PROGRAM ASSOCIATE DIRECTORS
                  OMB PROGRAM DEPUTY ASSOCIATE DIRECTORS
                  AGENCY BUDGET AND PERFORMANCE INTEGRATION LEADS
                  AGENCY PROGRAM ASSESSMENT RATING TOOL CONTACTS

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SUBJECT: Guidance to Improve the Consistency of 2007 PART Assessments

1. Scope/Purpose. This memorandum reports on the findings of a review of the 2007 PARTs for adherence to the PART guidance and identifies steps for improving the consistency of PARTs. This guidance supplements the overall PART guidance that is available at
http://www.whitehouse.gov/omb/part/fy2007/2007_guidance_final.pdf.

2. Required actions. Each RMO is responsible for reviewing all of the 2007 new assessments and reassessments completed in its program areas and working with its agencies to make the needed revisions to ensure that all PARTs adhere to the guidance.

- Through May 25 – OMB RMOs and Agencies should work collaboratively to revise PARTS, as necessary, to address consistency issues. OMB RMOs and Agencies should work to resolve any open issues; however, if any disagreements remain, Agencies will have the opportunity to address them in the appeals process.

- By COB May 25 – OMB RMOs should make a final "passback" version of their PARTs available for Agency review in PARTWeb.

- By COB June 1 – Agencies will submit any PART appeals. (Guidance on the appeals process will be provided separately.)

- Between June 4 – June 8 OMB RMOs and Agencies will have one final opportunity to work together to resolve the appeals. RMOs will also provide their recommendations on agency appeals.

- June 18 – Appeal Board meets to resolve outstanding appeals.

- June 19 – Appeal Board provides all appeal decisions.

3. Structure of Consistency Check Process. The 2007 consistency check process was similar to last year's process. A team of reviewers comprised of OMB staff, including members of the Performance Evaluation Team, reviewed a sample of the PARTs completed this year. The sample of PARTs reviewed were from all major Agencies and included different PART types and both new assessments and reassessments. Although every PART completed this year was not reviewed, the sample was quite large representing approximately 65 percent of 2007 PARTs. Consistency check team members did not review PARTs in their areas of responsibility.

Team members reviewed the PART answers, explanations, and evidence for consistency with the guidance. They also assessed whether the explanations and evidences supported the answers of Yes, Large Extent, No, Small Extent, or N/A. Checkers reviewed each performance measure to evaluate the level of consistency with the guidance, and determined whether it reflected the program's mission and priorities.

In addition to the performance measures, team members reviewed the following questions where inconsistencies had been observed in previous years.

1.4: Free of design flaws	3.2: Partners held accountable
1.5: Resources effectively targeted	3.3: Funds obligated timely and for Intended purpose
2.1: Long-term measures	3.4: Efficient processes and measures
2.2: Ambitious long-term targets	3.4: Efficient processes and measures
2.3: Annual measures	4.2: Annual results
2.4: Annual measures baselines/ambitious targets	4.3: Efficiency results
2.6: Independent evaluations conducted	4.4: Compare favorably to similar program
2.7: Budget tied to performance goals	4.5: Results of independent evaluations

The type-specific questions in the PARTs (e.g., regulatory-based, competitive grants, research and development, etc.) were also reviewed.

This memorandum identifies common problems in how PART explanations and evidence are drafted as well as specific issues relating to particular questions. While this information was drawn from a review of a sample of PARTs, RMOs and agencies should consider it and review *all* their PARTs since observations from the sample are likely relevant to all the PARTs.

In addition, questions that were not selected for review should not be assumed to be consistent. OMB and agencies should review all of their PART answers, explanations, and evidence, particularly in light of the issues identified in this memorandum in sections 5, 6, and 7.

RMOs will also receive specific feedback on the PARTs included in the sample. This feedback will identify areas where reviewers found that the answers appeared to be inconsistent.
A finding of inconsistency does not necessarily mean that an answer is incorrect. RMOs should work with their agencies to see if additional information can be included or the answer clarified to

address the consistency check finding. In some cases, responding to a consistency check finding may require changing a PART answer.

4. Consistency Check Findings. Overall, this year's review identified some areas of improvement in the PARTs, as well as some common challenges that remain. The consistency check identified three notable improvements in the quality of the PART responses from past years. First, most of the explanations for the question answers were more precise and well-written providing the reviewers with more detailed information about what the program is trying to achieve relative to its mission and goals. Second, the use of acronyms and jargons was significantly reduced over subsequent years increasing readability. Third, in general the evidence cited more directly supported the explanations to the questions also providing the reviewer's a better understanding of the program's purpose. Despite these improvements, each one of these areas warrants continued attention so that these improvements can be extended to a greater number of the PARTs.

Common challenges remain in drafting cogent PART explanations and evidence that are consistent with guidance and clearly describe how the evidence evaluated determined the answer to the question.

Long-term/Annual Performance Measures

- *Inaccurate labeling of measures as outcomes.* Performance measures should be identified as output or outcome based on the definitions provided in the PART guidance (See pages 7-12). If an output measure is deemed to be acceptable when responding to question 2.1, it should be labeled as an output. In some cases, output measures were incorrectly labeled as an outcome measure when they were used as a proxy for outcome measures.

- *Lack of justification and explanation for using output measures as proxies for long-term outcome measures.* PART guidance does allow for credit to be given for output measures when the program can provide sound justification for not adopting outcome measures. (See Guidance, pp. 23-24.) Most PARTs where the program received a Yes to 2.1 but had output measures lacked a justification. An example of sound justifications for using output measure proxies for long-term outcome performance measures is when there are quantitative studies that relate specific program outputs and their costs to specific outcomes of value and/or benefits.

- *The explanation doesn't address the relationship between long-term outcome measures and the program's purpose.* Often, the long-term performance measures presented were not consistent with the statements of the program's purpose (identified in answers to questions 1.1 and 1.2). A clear, concise response might, for each program purpose, identify the long-term measures associated with it and explain why the measures capture the most important aspects of the program purpose. (The program's strategic plan might contain such an explanation.)

- *Five to ten year timeframes for long-term measures.* Explanations were often not consistent with the guidance that long-term performance goals address performance that is five to 10 years into the future and consistent with time periods of strategic goals used in the agency's Government Performance and Results Act strategic plan.

Ambitious Targets for All Performance Measures

- *Lack of an adequate explanation of the ambitiousness of targets.* Explanations in questions 2.2, 2.4, and 3.4 often failed to provide sufficient explanation for why the measures' targets were ambitious. Baselines and historic trends, the program's future funding levels, changing demographics of beneficiary populations, and external factors such as economic conditions are examples of elements that might be used to help explain the ambitiousness of targets.

- *Annual measures should have performance targets at least for 2007.* In several instances, the performance measures related to question 2.4 did not include targets for 2007 or beyond. At a minimum, the annual measures should include targets for 2007 and additional targets should be added later.

Measures Readability

- *Detailed explanations of measures, including definition of terms used, and their relevance to the program must be included.* Especially for readers not acquainted to the technical aspects of the program, it is important to be transparent about how any performance measure relates to desired outcomes. The explanation field on the measures screen should include a statement that clearly defines what is being measured and the intended impact of the measure on the desired outcome.

- *Measures must be identified appropriately.* The identification of measures as outcome, output, or efficiency was often inconsistent with the PART guidance. The PART guidance includes a description of each type of performance measure. (See pages 7-12 of http://www.whitehouse.gov/omb/part/fy2007/2007_guidance_final.pdf.)

- *Include all performance measures in the measures section.* Measures, baseline, and targets addressed in the explanations for questions 2.1 – 2.4, 3.4, and 4.1 - 4.3 were often inconsistent with those listed in the measures section. In many instances those mentioned in the explanations were not included in the measures section.

Evaluation

- *Question 2.6: Evaluation quality is commonly not addressed in the answer.* To be consistent with the guidance, *Yes* answers indicate that the evaluations are sufficiently rigorous to provide information on program effectiveness. In particular, agencies must demonstrate that have chosen and applied evaluation methods that provide the most rigorous evidence of a program's effectiveness that is appropriate and feasible (Guidance,

p.30). A *Yes* answer must also indicate that evaluations are of sufficient scope, unbiased, independent, and conducted on a regular basis to support program improvements.

- Q*uestion 4.5: Credit for the results of process evaluations.* Some PARTs give a program some credit for positive results indicated in process evaluations. However, question 4.5 requires that the evaluations demonstrate the program's effectiveness in achieving its intended outcomes. Credit for program management's addressing of deficiencies identified by process evaluations should be given in question 3.7.

Efficiency Measures

- *Timeliness measures are generally not acceptable as efficiency measures.* The amount of time for a program to process something (applications or other paperwork, for example), are not considered acceptable efficiency measures unless there is a clear explanation that details how that time savings also required fewer resources to be used. Overall, an efficiency measure's target demonstrates efforts of program management to improve economy in the acquisition and utilization of resources (Guidance, p.42). In this sense, a program-wide labor productivity measure or program-wide labor costs (including contractor costs) might be used to indicate decreased processing costs associated with improving processing timeliness.

- *Describing how procedures achieve efficiency goals.* Most explanations identified procedures the program has in place to achieve efficiencies and cost effectiveness, but lacked sufficient information about how the procedures would achieve their intended effects. For example, an information technology (IT) business case might explain how a program's IT investment reduces program costs or improves productivity.

Capital Assets and Service Acquisition Programs

In responses to question 4.CA1, in order to distinguish between Yes, Large Extent, and Small Extent, the explanation should indicate the extent to which cost and schedule performance targets have been achieved. Changes in project scope should also be cited if they impact timing, cost, or project performance.

Competitive Grant Programs

Most of the responses to question 3.CO1 did not meet the criteria for a yes answer. A *Yes* answer for question 3.CO1 must clearly explain and provide evidence of each of the following (2007 Guidance, pp.45-46):

- The program operates a fair and open competition.

- The overwhelming majority of awards (e.g., 90 percent on average) are distributed according to a competitive process.

- The program provides a reasonable amount of outreach to encourage the participation of new grantees.
- Awards may be renewed and still considered competitive if the original award was competitively awarded and renewals only extend for a short and definite period of time as long as the possibility of renewal is announced in the original competition.

Regulatory-Based Programs

Question 1.4. In general, most PARTs mentioned that all rules were consistent with statutes, but they did not mention how they ensure each is necessary and how they should maximize net benefits. A *No* should be given if the statute underlying the regulations is not designed to maximize benefits. (Guidance, p. 20)

Most responses to question 3.RG2 did not address all of the content for a yes answer. The yes criteria are:
- A statement of need of the proposed action (including any market failure);

- An examination of alternative regulatory and non-regulatory approaches based on an appropriate baseline; and

- An analysis of the incremental benefits and costs of the proposed action and alternatives quantified and monetized to the extent feasible. If the rule primarily affects health and safety, an incremental cost effectiveness analysis of the proposed action and alternatives should be provided.

5. General Issues. Based on data from the consistency check, below are some reminders on how to draft PART explanations and evidence.

- *The explanation should clearly address all elements and requirements listed in the guidance for the question*. Many of the PART questions have multiple elements that must be addressed to earn a Yes answer. The guidance for the question details the various subcomponents that need to be addressed. For instance, question 3.4 asks if the program has procedures to measure and achieve efficiencies and cost effectiveness in program execution. The guidance states that to receive a Yes answer, the PART must clearly explain and provide evidence that the program has 1) regular procedures in place to achieve efficiencies and cost effectiveness, and 2) at least one efficiency measure with a baseline and targets.

- *Lack of justification to clearly support the answer given.* It is not sufficient for an explanation to simply repeat the question in the affirmative; instead, the answer must explain how the program meets the criteria for Yes, Large Extent, No, and Small Extent.

- *PART responses are unclear when they present vague or contradictory information on a program's performance.* In general, explanations benefit from the inclusion of a topic sentence that clearly summarizes the principal justification for the answer.

- *The evidence should support the explanation.* Discussion of evidence should summarize the content of the evidence and provide context for the explanation (e.g., for performance results questions, compare actual performance to the baseline and targets). The description of evidence should provide information on both the source and basis for the judgment used to determine the answer.

6. General Readability. Since the individual program assessments are available to the public on www.ExpectMore.gov, PARTs should be written in clear, non-technical language. The most exemplary PART responses have these characteristics:

- Explanations begin with a topic sentence and are kept as concise as possible while also providing sufficient information to justify the answer.

- Acronyms and jargon are avoided. When acronyms are necessary, they are spelled out frequently.

- Evidence goes beyond simply citing reports or legislation, but also clearly describes the judgment used in determining the answer.

- Specific programmatic details and examples, rather than generalities, are used to clarify responses given.

- Personal pronouns ("we," "us," "they," etc.) are not used.

- The units for the measures and targets are clear. Examples should be used to make clear what the units are, and what the targets are.

- Explanations should clearly identify the intended beneficiaries of the program.

- Program specific language and terms are clearly defined and expressed in a manner that individuals not familiar with the program can understand.

7. Inquiries. OMB RMOs with questions about this guidance should contact their Performance Evaluation Team (PET) representative. Agency staff should contact their OMB counterpart.