

**PERFORMANCE MANAGEMENT IN THE DISTRICT OF COLUMBIA:
AN OVERVIEW AND STATUS REPORT**

TESTIMONY OF JOHN A. KOSKINEN

**SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT, RESTRUCTURING
AND THE DISTRICT OF COLUMBIA
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE**

MARCH 22, 2001

Chairman Voinovich, Senator Durbin, members of the Subcommittee, thank you for this opportunity to provide you with an update on the status of the development of the District of Columbia's performance management system.

I am joined here today by Margret Nedelkoff Kellems, Deputy Mayor of Public Safety and Justice and Charles H. Ramsey, Chief of the Metropolitan Police Department. I will present an overview of the District's performance management system: our ultimate goal, the current status of several issues we still need to address and our prognosis of how long it will take to resolve these issues. Ms. Kellems will discuss the criteria she used to evaluate Chief Ramsey's performance during 2000 including the Chief's FY 2000 performance contract with Mayor Williams and the Chief's calendar year 2000 scorecard. Chief Ramsey will discuss his own evaluation of his performance and that of the Metropolitan Police.

As you know, Mayor Williams strongly supports the development of strategic goals and the use of performance goals and measures as a way of improving the delivery of municipal services to our citizens. He understands that this should not be a paperwork exercise but needs to lead to a system of tracking progress and managing against performance data on an ongoing basis.

The Ultimate Goal

When fully realized, the District of Columbia's performance management system will allow the District government to:

- Set priorities that reflect the input of all relevant stakeholders including citizens, local businesses, non-profit organizations, the faith community, Council and Congress;
- Establish goals and measures that we track over an extended period of time of at least three-five years;

Tie the priorities, goals and measures into performance contracts between the Mayor and his cabinet agency directors;
Manage against the priorities goals and measures; and
Measure and report performance to the general public, Council and Congress on a regular basis.

Current Status

Implementing a complete performance management and reporting system is an evolutionary process and we expect that additional improvements will need to be made over the next two years. Nonetheless, especially judged against my experience at OMB for three years overseeing the implementation of the Government Performance and Results Act, I think the District Government has achieved significant success thus far in its efforts to establish a performance management system.

Let me now give you a sense of what we have achieved to date.

Stakeholder input: During 1999-2000, the District emphasized engaging citizens in the development of its first citywide strategic plan. As we prepare to update the Citywide Strategic Plan this coming fall, we plan to continue engaging District residents this spring and summer through *Neighborhood Action* and, as the name implies, we will emphasize neighborhood specific priorities and needs by developing 39 strategic neighborhood action plans (SNAPs). In addition, we plan to seek input from the Council and Congress in updating the Citywide Strategic Plan prior to the October 2001 Citizen Summit.

Consistency: Over the course of the first two years of the Williams' Administration, we have generated some inconsistencies by changing goals and measures during the reporting year and establishing different reporting periods—fiscal year for the budget and calendar year for the District's 2000 Scorecard. Some of this inconsistency is not surprising in the early stages of establishing a performance management system. However, we have directed agencies to review past years' sets of goals and measures and to consolidate them into a single set consistent with:

- City wide strategic plan
- Agency strategic plan
- Directors' performance contracts
- Budget and goals and performance measures
- Performance plans for MSS and excepted service personnel

We have presented these consolidated goals and measures in the FY 2002 Operating Budget and Financial Plan that was transmitted to Council last week. The pattern of changing goals and measures will lessen with each performance plan and report but will continue through the FY 2002 performance accountability report that the District will issue in March 2003. We anticipate that the performance goals and measures presented in the FY 2003 budget will remain significantly more constant through the planning, implementation and reporting phases that will culminate in the FY 2003 performance accountability report in March 2004.

Achieving this consistency among the goals presented in the performance accountability plan and the subsequent performance accountability report two years later is critical so that we may begin to see emerging trends in improving or deteriorating performance.

Nature of Goals: In the past agencies have tended to emphasize process measures or inputs and outputs. While these goals are important, we are asking agencies to shift their emphasis to measures of efficiency, quality and outcomes such as improvement in healthcare vital statistics or decreases in the number of fires throughout the District. However, agencies will continue to monitor selected inputs and outputs to support our efforts to develop program-based budgeting that we illustrated in the special chapter in our FY 2002 budget.

FY 2002 Performance Accountability Plan: As agreed with this committee last fall and codified into law by the Performance Accountability Plan Amendments Act of 2000 (P.L. 106-449), the District's budget will serve as its performance accountability plan. Each agency's budget chapter includes performance goals and measures drawn from its strategic plan, if it has one in place, or aligned to its mission statement if no strategic plan is in place. The Mayor's Budget, transmitted to Council on March 12, 2001 serves as the District's initial performance accountability plan. The FY 2002 Operating Budget and Financial Plan, due to be transmitted to Congress in June 2001 following the District's consensus process will serve as the final plan.

Data Quality: Prior to the October 2000 oversight hearing, my staff worked with the U.S. General Accounting Office (GAO) to spot-check selected performance measures. In general, GAO found that District agencies did not adequately describe the systems or procedures for ensuring the credibility of its performance data. Verifying our results has been a concern of the Mayor's from the start of his administration. While we could not afford to wait for perfect data to set and measure our strategic goals, we need to improve the availability and reliability of our data to allow us to manage effectively against actual results.

The District had already taken steps to address this before the October hearing. In June 2000 Mayor Williams asked the Office of the Inspector General (OIG) to audit the agencies' calendar year scorecard and fiscal year performance contract measures to identify common areas in need of improvement and best practices in agencies that can be shared with their colleagues throughout the city. We had hoped to include the Inspector General's findings in our FY 2000 performance accountability report, but OIG just issued their final report this week.

One of the OIG's initial findings recurring in several agencies is a lack of clear policies and procedures for recording, calculating and analyzing performance data, echoing the GAO's findings. Too many agencies' performance data operations are dependent on the individual(s) assigned to the responsibility today—should any of these personnel leave, there is little documentation on reporting practices. In some instances, OIG has also found that data collection methodologies do not stand-up to basic stress tests of possible albeit unlikely changes in conditions.

By summer 2001, my office will develop a set of general guidelines for agencies to document how they collect, manage and report performance data for the goals and measures in agency *FY 2001 Performance Accountability Reports* and *FY 2003 Performance Accountability Plans*. OCA will continue to seek input from the Office of the Inspector General and welcomes recommendations from the District of Columbia Auditor and the U.S. General Accounting Office for establishing the proposed guidelines.

Directors' Performance Reviews: The Mayor, Deputy Mayors and I have just completed our review of more than 30 agency directors based our evaluation and ratings on performance against FY 2000 performance contracts, calendar year scorecard goals and selected activities and accomplishments outside the scope of either the contract or scorecard. Deputy Mayor Kellems will discuss how she conducted this evaluation of the Metropolitan Police Department in her comments.

Publicizing Our Results: As important as it is for the District to report regularly to Council and Congress on progress against our goals and commitments, it is perhaps more important to publicize our results to the residents and other stakeholders in the District. In January we published our calendar year 2000 Scorecard. Those results are incorporated into our FY 2000 performance accountability report, including a March 2001 update on results that were not available at the press deadline for the December report.

However, annual reports are not sufficient to keep the public apprised of our progress in meeting our commitments. I have asked agency directors to begin posting FY 2001 scorecard results in their agency lobbies on at least a quarterly basis by this spring.

Prognosis

As much progress as we have made in designing and implementing our performance management system, I believe we are at least another year away from a fully integrated and seamless operation. We have the major components in place: 1) A Citywide Strategic Plan, crafted by our citizens to reflect their priorities; 2) Scorecards that present clear goals and deadlines to the public; 3) Agency-Specific Strategic Plans that outline fundamental changes in the way each of our agencies would conduct business; and 4) Individual performance contracts that translate our larger, citywide plans into tangible, personal commitments—measures by which the Mayor can judge the success of each of his cabinet members.

However, we did not accomplish everything we intended during 2000 according to our own timetables or statutory deadlines set by Council and Congress. Below is a discussion of our accomplishments and some of the challenges we encountered.

Directors' Performance Assessments: This year we delayed the directors' performance evaluations to incorporate their performance against calendar year scorecard goals as well as their fiscal year performance contracts. We have set the reporting period for all goals and measures to the fiscal year for FY 2001 and beyond to avoid such delays in the future.

Single Set of Goals: In addition, we are moving toward a single set of goals. In addition to the discrepancy among reporting periods, not all goals in agency scorecards were reflected in their

strategic plans or performance contracts. As discussed above, we have made progress in consolidating agencies' disparate goals during the FY 2002 budget development cycle, but we anticipate some continuing changes

Manage Toward the Goals: While the Mayor and Deputy Mayors evaluated agency directors against the goals in their performance contracts, we need to do more to ensure that directors are assessing their senior managers and management supervisory service employees against the same set of goals. Agency directors will complete their draft FY 2002 performance contracts no later than September 2001 so that deputy directors, senior managers and all other agency staff have access to their director's goals in developing their FY 2002 individual performance plans. As we evaluated agency directors on their performance against their strategic goals, agency directors will be able to evaluate their own senior managers and management supervisory service personnel on how their day-to-day efforts support the agency's pursuit of those goals. In turn, agency directors will increasingly be evaluated against the performance of their senior managers in meeting their internal agency goals.

The Importance of Missing Some Goals: On its face this statement is counterintuitive but it is a critical element of the culture change we need to make in encouraging agency directors and all District employees to set ambitious stretch goals. If performance bonuses, salary increases and promotions are contingent on achieving every single goal and target, the goals agencies and individuals establish will not be very ambitious and will serve the District residents less well. I would rather award a bonus to someone who just missed one or two of his or her targets on a set of ambitious goals rather than to someone who met or exceeded every target on a set of timid goals. Constructing our performance evaluation system to recognize and reward ambitious goals will be challenging but not as challenging as changing the attitudes and behaviors of employees used to working in a government that penalized any failure and thereby encouraged setting conservative, easily achievable goals to the extent that goals were set at all.

Base Budget and Management Decisions on Goals: In future years, District budgets will be increasingly based on past performance and requests for new funds will be accompanied by justifications tied to projected performance with and without the new funds. We have included a special chapter on program-based budgeting in our FY 2002 budget and anticipate presenting full program-based budgets for at least the seven agencies highlighted in that chapter in our FY 2003 budget. Establishing these connections between expenditures and results is critical to both make work more meaningful for District employees and restoring confidence in the District government.

FY 2001 Performance Reporting: For FY 2001 we plan to consolidate the directors' self-evaluations with the performance accountability reports due to both Council and Congress. Combined with unifying the reporting period for all goals and measures to a fiscal year basis, this will streamline reporting and ensure that agencies meet the Council's January deadline and the District meets Congress's March deadline.

Conclusion

As I said at the outset, establishing the District's performance management system is an evolutionary process. We have accomplished a great deal in the first two years of the Williams

administration. At the same time, in light of where we are today and where we hope to be in a year or two with the Council and Congress, we recognize where our earliest performance plans, goals and measures fell short of statutory requirements. We addressed many of those shortcomings in developing the FY 2001 budget and have addressed more still in the ongoing FY 2002 budget development cycle. With each budget cycle the components of our performance management system are more closely aligned to each other and better meet the reporting needs of Council, Congress and the residents of the District of Columbia.

Thank you. I welcome any questions you may have now or after Deputy Mayor Kellems and Chief Ramsey's comments.