



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEPUTY DIRECTOR
FOR MANAGEMENT

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MEMORANDUM TO THE DEPUTIES OF EXECUTIVE DEPARTMENTS,
AGENCIES, AND OTHER ENTITIES SUBJECT TO THE
CHIEF FINANCIAL OFFICERS ACT, THE
ACCOUNTABILITY OF TAX DOLLARS ACT, AND
GOVERNMENT ENTITIES SUBJECT TO THE
GOVERNMENT CORPORATIONS CONTROL ACT

FROM: Clay Johnson
Deputy Director for Management

SUBJECT: Continuing the Pilot Program for Alternative Approaches to
Performance and Accountability Reporting in FY 2008

In May 2007, the Office of Management and Budget (OMB) established the *Fiscal Year (FY) 2007 Pilot Program for Alternative Approaches to Performance and Accountability Reporting* (PAR) as an alternative to the consolidated PAR. Based on positive feedback, OMB will continue the PAR pilot experiment for FY 2008 performance and accountability reporting. The pilot allows agencies to explore different formats to enhance the presentation of financial and performance information. We remain committed to making this information more meaningful and transparent to Congress, the public, agency employees, and other stakeholders. Agencies are encouraged to use innovative technology to give the reader greater access to pertinent information as well as evidence backing up claims.

Eleven agencies participated in the FY 2007 pilot which included three component documents: the Agency Financial Report (AFR), the Annual Performance Report (APR), and the "Highlights." Seven other agencies also produced the "Highlights." The Performance Improvement Council (PIC) and the Chief Financial Officers Council (CFOC) reviewed the results of the pilot in order to formulate future guidance on financial and performance reporting. OMB and agencies also met with other outside groups to receive feedback. The resounding recommendation is for agencies to continue to improve the PAR pilot in FY 2008. Agencies reported several benefits from the pilot experience, including:

- Increased internal agency's focus on most important measures and management challenges; and
- More readable documents for an agency's employees and external stakeholders.

- In addition, the following changes were proposed by the PIC and the CFOC:
- (i) Change the “Highlights” to “[Agency Name] Citizens’ Report: FY 20XX Summary of Performance and Financial Results,” (the Citizens’ Report) to better capture the objective and comprehensive nature of the report.
 - (ii) Include specific internet links that will take the reader to the evidence supporting information about the agency’s program and financial performance.
 - (iii) Provide information on the results of the agency’s strategic goals, including shortcomings, successes, and associated costs in the Citizens’ Report.
 - (iv) Limit the Citizens’ Report to 25 pages or less.
 - (v) Change the release date of The Citizens’ Report to no later than January 15, 2008.
 - (vi) Include a two-page summary in the front of the Citizens’ Report that provides the public with:
 - a. A general description of the agency;
 - b. Summary of performance for each strategic goal.
 - c. Budget overview;
 - d. Stewardship and financial results;
 - e. Discussion of future challenges; and
 - f. A second page with a few outcome measures for each strategic goal or objective;
 - (vii) Include Summary of Financial Statement Audit findings similar to the table in the AFR’s Other Accompanying Information (OAI).
 - (viii) Revise the AFR guidance to more clearly states the level of performance information expected in the MD&A.
 - (ix) Employ the list of best practices generated from the findings to the extent possible.

The enhancements above will result in a three-tiered reporting structure:

- The two-page summary provides the reader with a quick snapshot of agency results.
- The 25-page Citizens’ Report, while still a summary, provides a more comprehensive view of agency mission, key goals, how funds are spent, performance relative to goals, and actions they plan to take to build on successes or address shortcomings.
- The larger accountability report provides exhaustive and complete details on relevant financial and performance data.

Based on the positive experience from this year’s pilot agencies, we expect agency participation in the FY 2008 pilot to increase. We strongly encourage other agencies to participate. The two-page template will be required for all CFO Act agencies, which will be combined into a government-wide performance report. Agencies choosing not to participate in the FY 2008 pilot must continue to use the consolidated PAR format. Detailed instructions on the FY 2008 pilot will be included in the 2008 update of OMB Circular A-136, *Financial Reporting Requirements*, and OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*. Similar to FY 2007, all agencies

choosing to participate in the FY 2008 pilot should notify OMB by June 30 at the email addresses below.

Those agencies that are customers of the Budget Formulation and Execution Module (BFEM) and also use the Performance Management Module (PMM) will be able to streamline the process of creating their performance and accountability report more quickly. Additionally, agencies using PMM will no longer have to use PARTWeb to enter in performance data and submit it to OMB. Agency performance data will be automatically sent to OMB informally during the fall and spring update. These efficiencies should allow agencies to focus more staff time on analyzing performance data instead of the process of creating the PAR. We encourage all agencies to review the BFEM product line to determine whether it can meet your budget and performance requirements. Please contact Chantale Wong at Chantale.Wong@do.treas.gov for more information.

The FY 2007 PAR Pilot findings and recommendations, including agency best practices, developed by the PIC Reporting and Transparency Working Group can be found online in the MAX Federal Community Page at <https://max.omb.gov/community/x/M4DX>. For a list of all agency performance and financial reports, including all “2007 Highlights” (both pilot and non-pilot agencies) see http://www.whitehouse.gov/omb/part/agency_performance_addresses.html.

Please contact Dustin Brown (dbrown@omb.eop.gov) or Carrie Hug (chug@omb.eop.gov) with any questions or for additional information.