

# **DEPARTMENT OF THE TREASURY**

## **PART ASSESSMENTS<sup>1</sup>**

<sup>1</sup> For each program that has been assessed using the PART, this document contains details of the most recent assessment. These details are presented in their original form; some programs have revised performance targets and developed or replaced performance measures since the original assessment. The PART summaries published with the 2006 Budget (in February 2005) provide current information on follow-up to recommendations and other updates.

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## PART Performance Measurements

**Program:** Administering the Public Debt  
**Agency:** Department of the Treasury  
**Bureau:** Bureau of the Public Debt (BPD)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	90%	100%	75%	

**1.1 Is the program purpose clear?**

Answer: YES

Question Weight 25%

**Explanation:** BPD has two missions: borrow the money needed to operate the Federal Government and account for the resulting debt. The operations of the Federal government are funded using unified borrowing. Under this approach, Treasury is the only agency authorized to conduct borrowing for the general benefit of the Federal government.

**Evidence:** BPD Strategic Plans; Article I, Section 8 of the Constitution empowers the Congress to borrow money on the credit of the United States, authority which has been delegated to BPD under Treasury Orders 106-08 and 106-11.

**1.2 Does the program address a specific and existing problem, interest or need?**

Answer: YES

Question Weight 25%

**Explanation:** The government's authority to borrow is set forth in the Constitution. To meet the financing needs of the government, BPD borrows from a broad range of investors' individuals purchasing small denomination savings bonds to large financial institutions purchasing billions in Treasury bills or notes.

**Evidence:** FY 2000-FY 2005 Strategic Plan

**1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?**

Answer: YES

Question Weight 25%

**Explanation:** Although State and local governments also offer debt instruments, BPD is the only agency authorized to borrow to fund the overall operations of the Federal government. Other Federal agencies (e.g., Veterans Administration, US Forest Service, etc.) are permitted to borrow but only through the Department of the Treasury.

**Evidence:** Article I, Section 8 of the Constitution; Treasury Orders 106-08 and 106-11

**1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency?**

Answer: YES

Question Weight 25%

**Explanation:** Treasury has never defaulted on its debt and the program has always met the borrowing needs of the Federal government. BPD has no material weaknesses and a continuous record of unqualified audit opinions covering the Federal government's debt financing operations.

**Evidence:** GAO Audits of the Schedule of Federal Debt for 1994-2002; Public Debt Management Control Plan for FY 2003-2007; FY 2002 Annual Assurance Statement; Mitre Corporation Review of IT Security Program, 2003

**1.5 Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?**

Answer: NA

Question Weight: 0%

**Explanation:**

**Evidence:**

## PART Performance Measurements

**Program:** Administering the Public Debt  
**Agency:** Department of the Treasury  
**Bureau:** Bureau of the Public Debt (BPD)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	90%	100%	75%	

**2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?**      Answer: YES      Question Weight: 15%

**Explanation:** BPD has three succinct strategic goals; finance government operations, account for the debt of the Federal government, and fulfill customer expectations. The bureau developed four long-term performance goals for inclusion in the FY 2005 Budget: 1) Increase number of bidders in Treasury auctions by 15% by 2010; 2) Conduct 80% of customer-initiated transactions on-line by 2008; 3) Hold 50% of retail debt in TreasuryDirect by 2011; 4) Produce daily public debt financial statements by 2007.

**Evidence:** FY 2005 OMB Budget submission

**2.2 Does the program have ambitious targets and timeframes for its long-term measures?**      Answer: YES      Question Weight: 15%

**Explanation:** BPD recently developed four long-term performance goals and set targets for each of the measures (see question 2.1).

**Evidence:** FY 2005 OMB Budget submission

**2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?**      Answer: YES      Question Weight: 15%

**Explanation:** Although BPD is working to develop long-term performance goals, it does have a limited set of annual performance goals that demonstrate progress towards achieving the bureau's three strategic goals. Most of these goals are refined each year and show improvements in the timeliness of issuing auction results, the timeliness and accuracy of processing transactions, and addressing customer service inquiries.

**Evidence:** FY 2004 Budget and Prior Year Submissions.

**2.4 Does the program have baselines and ambitious targets for its annual measures?**      Answer: YES      Question Weight: 15%

**Explanation:** The program sets ambitious targets for each of its annual performance goals.

**Evidence:** FY 2004 Budget and Prior Year Submissions.

**2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?**      Answer: YES      Question Weight: 10%

**Explanation:** BPD's principal partners are the Federal Reserve Banks (FRB), who assist with auctioning, issuing and redeeming securities as well as providing customer service for retail customers. These activities are tied directly to BPD's performance goals.

**Evidence:** Federal Reserve Business Plans 2003-2006

## PART Performance Measurements

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**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	90%	100%	75%	

**2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?** Answer: YES Question Weight:10%

Explanation: The General Accounting Office (GAO) annually audits debt related financial statements and examines the summary and subsidiary accounting systems that are used to account for the debt. Further, independent public accountants hired by the Office of the Inspector General (OIG) annually audit and review the Federal Investment Program. The OIG also performs periodic program reviews.

Evidence: GAO Audits of the Schedule of the Federal Debt for 1994-2002; Public Debt Management Control Plan for FY 2003-FY 2007; Mitre Corporation Review of IT Security Program, 2003; various OIG reports (OIG-03-009, OIG-02-120, OIG-02-116).

**2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?** Answer: NO Question Weight:10%

Explanation: There is no direct link between budgetary resources and attaining annual or long-term goals. BPD, however, is working towards aligning its budget and performance goals (see Question 2.8).

Evidence: BPD's budget requests include performance data but not in a manner in which to evaluate the impact of funding increases or decreases on performance results.

**2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies?** Answer: YES Question Weight:10%

Explanation: As noted earlier, the bureau is working to develop long-term goals and tie its annual goals directly to the long-term goals. This process also entails linking budget resources with performance targets (See Questions 2.1; 2.2; 2.7).

Evidence: BPD anticipates including long-term measures in its FY 2005 Budget Submission due to OMB in September 2003.

**3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?** Answer: YES Question Weight:16%

Explanation: The bureau works with its FRB partners to improve quality and efficiency in selling and redeeming securities as well as assisting with customer service inquiries. These activities are tied directly to BPD's annual performance goals. In addition, BPD responds to and implements recommendations from its auditors.

Evidence: Report on Federal Reserve Bank Performance Against Service Level Objectives for April 2003 and Prior Months; Auction Release Times Chart, October 2002-May 2003; Public Debt Intranet, Customer Service Performance Index; Mitre Corporation Review of IT Security Program, 2003.

## PART Performance Measurements

**Program:** Administering the Public Debt  
**Agency:** Department of the Treasury  
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**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	90%	100%	75%	

**3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?** Answer: YES Question Weight: 16%

Explanation: Public Debt's program managers are accountable for work performed under their direct control as well as work performed by our fiscal agents, the Federal Reserve Banks. With respect to the work performed by the Federal Reserve Banks, the bureau routinely evaluates their performance on service level objectives established by BPD. These assessments are specifically considered as part of the Federal Reserve's performance evaluation structure.

Evidence: Federal Reserve Business Plans 2003-2006; Federal Reserve Bank Performance Against Service Level Objectives.

**3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?** Answer: YES Question Weight: 16%

Explanation: Funds are obligated timely with no history of Anti-Deficiency Act violations.

Evidence: Statements of Budget Execution (SF-133).

**3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?** Answer: YES Question Weight: 16%

Explanation: Public Debt has instituted incentives for identifying opportunities for program efficiency and cost reduction. For example, BPD, in cooperation with Federal Reserve management, determined that it could reduce call center staff without jeopardizing customer service. Additionally, BPD encourages its issuing agents to take advantage of postal service discounts by pre-sorting bonds.

Evidence: Information Resource Management (IRM) Plans for FY 1998-2002; BPD historically funds new programs by eliminating ineffective programs

**3.5 Does the program collaborate and coordinate effectively with related programs?** Answer: NA Question Weight: 0%

Explanation:

Evidence:

**3.6 Does the program use strong financial management practices?** Answer: YES Question Weight: 16%

Explanation: Since the inception of the CFO Act, BPD has received an unqualified opinion on debt related financial statements. In addition, the bureau closes its books in 3-days monthly and 45-days at the end of the fiscal year and has no material weaknesses.

Evidence: GAO Audits of the Schedule of the Federal Debt for 1994-2002; Public Debt Management Control Plan for FY 2003-FY 2007; Mitre Corporation Review of IT Security Program, 2003.

## PART Performance Measurements

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100%	90%	100%	75%	

**3.7 Has the program taken meaningful steps to address its management deficiencies?** Answer: YES Question Weight: 16%

**Explanation:** BPD has a comprehensive management control program that has become a model within Treasury. BPD's automated audit monitoring system rigorously tracks audit findings and ensures that recommendations are fully implemented. BPD also monitors and tracks implementation of the President's Management Agenda initiatives. In addition to regular briefings to senior management, the process includes a web page to share information with employees, scores on each agenda item, and reports on our progress to reach 'green'.

**Evidence:** GAO Audits of the Schedule of the Federal Debt for 1994-2002; Public Debt Management Control Plan for FY 2003-FY 2007; Public Debt Management Control Program Documentation; Mitre Corporation Review of IT Security Program, 2003.

**4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals?** Answer: NO Question Weight: 25%

**Explanation:** The bureau recently submitted, and OMB approved, four long-term performance goals. Since the goals are new for FY 2005, it is premature to suggest BPD has achieved progress towards the four goals (see measures tab and question 2.1).

**Evidence:** FY 2005 OMB Budget submission

**4.2 Does the program (including program partners) achieve its annual performance goals?** Answer: YES Question Weight: 25%

**Explanation:** Each year BPD achieves its annual goals and adjusts them to meet new challenges. The average times to release auction results and complete customer service transactions, for example, have reduced over the past several years.

**Evidence:** FY 2004 Budget and Prior Year Submissions.

**4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?** Answer: YES Question Weight: 25%

**Explanation:** Public Debt has a strategic planning process designed to identify opportunities for program efficiency and cost reduction. For example, BPD, in cooperation with Federal Reserve management, found that it could reduce call center staff and maintain its quality service to its customers. Additionally, BPD encourages the issuing agents of its savings bonds to take advantage of postal service discounts by pre-sorting its bonds.

**Evidence:** Bureau of the Public Debt Programs and Timeline; Strategic Plans; Treasury's Vision for Promoting a Direct Financial Relationship with Investors; Information Resource Management (IRM) Plans for FY 1998-2002.

**4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?** Answer: NA Question Weight: 0%

**Explanation:**

**Evidence:**

## PART Performance Measurements

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**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	90%	100%	75%	

**4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?**      Answer: YES      Question Weight 25%

**Explanation:** The General Accounting Office (GAO) annually audits debt related financial statements and covers the summary and subsidiary accounting systems that are used to account for the debt. Further, independent public accountants hired by the Office of the Inspector General (OIG) annually audit and review our Federal Investment Program. The OIG also performs periodic program reviews.

**Evidence:** GAO Audits of the Schedule of the Federal Debt for 1994-2002; Public Debt Management Control Plan for FY 2003-FY 2007; Mitre Corporation Review of IT Security Program, 2003; various OIG reports (OIG-03-009, OIG-02-120, OIG-02-116).



## PART Performance Measurements

**Program:** Administering the Public Debt  
**Agency:** Department of the Treasury  
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**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	90%	100%	75%	

**Measure:** Receive unqualified opinions on the Schedule of Federal Debt and Loans Receivable.

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2000	Unqualified	Unqualified	
2001	Unqualified	Unqualified	
2002	Unqualified	Unqualified	
2003	Unqualified	Unqualified	
2004	Unqualified		
2005			
2006			

**Measure:** Percentage of TreasuryDirect interest and redemption payments made timely ('01-'03).

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2001	100%	100%	
2002	100%	100%	
2003	100%	100%	

## PART Performance Measurements

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**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	90%	100%	75%	

**Measure:** Percentage of TreasuryDirect interest and redemption payments made accurately ('01-'03).

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2001	99.9%	100%	
2002	99.9%	100%	
2003	99.9%	100%	

**Measure:** Percentage of TreasuryDirect interest and redemption payments made timely and accurately ('04).

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2004	100%		
2005	100%		

**Measure:** Percentage of retail securities interest and redemption payments made timely and accurately (first year: 2005).

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2005	100%		
2006			

**Measure:** Percentage of TreasuryDirect customer service transactions completed within three weeks (last year: 2004).

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2001	90%	99.7%	

## PART Performance Measurements

**Program:** Administering the Public Debt  
**Agency:** Department of the Treasury  
**Bureau:** Bureau of the Public Debt (BPD)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	90%	100%	75%	

2002	90%	99,7%
2003	90%	
2004	90%	

**Measure:** Percentage of customers rating their overall satisfaction as good or excellent (first year: 2004).

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2004	90%		
2005	90%		
2006			

**Measure:** Hold 50% of retail debt in TreasuryDirect (electronic-based system) by FY 2011.

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term (Efficiency Measure)
2005	5%		

**Measure:** Percentage of retail customer service transactions completed within: 4 weeks in 2001; 3 weeks in 2002 and 2003; and 13 days in 2004 and 2005.

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2001	90%	95.8%	
2002	90%	98.3%	
2003	90%		

## PART Performance Measurements

**Program:** Administering the Public Debt  
**Agency:** Department of the Treasury  
**Bureau:** Bureau of the Public Debt (BPD)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	90%	100%	75%	

	2004	90%	
	2005		
	2006		

**Measure:** Percentage of over-the-counter savings bonds issued within three weeks (last year: 2004).

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2001	95%	99.97%	
2002	99.95%	99.95%	
2003	99.95%	99.95%	
2004	99.95%		

**Measure:** Percent of auction results released in: one hour in 2001; 25 minutes in 2002; six minutes in 2003; and four minutes in 2004 and 2005.

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2001	95%	100%	
2002	95%	99.5%	
2003	80%		
2004	95%		
2005			
2006			

## PART Performance Measurements

**Program:** Administering the Public Debt  
**Agency:** Department of the Treasury  
**Bureau:** Bureau of the Public Debt (BPD)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	90%	100%	75%	

**Measure:** Percentage of Commercial Book Entry interest and redemption payments made timely and accurately.

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2001	100%	100%	
2002	100%	100%	
2003	100%	100%	
2004	100%		
2005	100%		
2006			

**Measure:** Percentage of Government Securities (Federal) Investment Program transactions processed timely ('01-'03).

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2001	100%	100%	
2002	100%	100%	
2003	100%	100%	

**Measure:** Percentage of Government Securities (Federal) Investment Program transactions processed accurately ('01-'03).

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2001	99.9%	99.9%	
2002	99.9%	99.9%	

## PART Performance Measurements

**Program:** Administering the Public Debt  
**Agency:** Department of the Treasury  
**Bureau:** Bureau of the Public Debt (BPD)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	90%	100%	75%	

2003	99.9%	99.9%
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**Measure:** Percentage of Federal Investment Program transactions processed timely and accurately (first year: 2004).

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2004	100%		
2005	100%		
2006			

## PART Performance Measurements

**Program:** African Development Fund  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not
80%	63%	100%	33%	Demonstrated

**1.1 Is the program purpose clear?**

Answer: YES

Question Weight 20%

Explanation: Articles I and II of the Articles of Agreement of the African Development Bank Group clearly state the purpose of the institution. "The purpose of the Bank shall be to contribute to the economic development and social progress of its members - individually and jointly." Article II provides specifics on the modality of the Fund's operations. The Bank Group also adopted a Vision Statement in 1999 that focuses operations around agriculture and rural development, social development, private sector development good governance and environmental and gender concerns.

Evidence: <http://www.afdb.org>

**1.2 Does the program address a specific and existing problem, interest or need?**

Answer: YES

Question Weight 20%

Explanation: The African Development Fund mobilizes resources from regional and non-regional members to provide concessional financing and grants for the development objectives of the poorest African countries.

Evidence: Over one billion people in the world live on less than \$1 per day; over 3 billion live on less than \$2 per day. In sub-Saharan Africa, 46% of people exist on less than \$1 per day.

**1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?**

Answer: YES

Question Weight 20%

Explanation: The African Bank Group has entered into Memoranda of Understanding (MOUs) with the other major Multilateral Development Banks (MDBs) and works closely with other aid agencies to coordinate activities and to avoid redundancies. During the recent Ninth Replenishment of the African Development Fund, donors sharpened the focus to the African Bank Group on core activities in which the African Bank has an appropriate niche. Core priorities identified in the AfDF-IX negotiations include: agriculture and rural development, human capital development, private sector development, good governance, gender equality, and environmental management.

Evidence: The International Development Association (IDA) is the other principal multilateral development bank in Africa. The AfDB and IDA have concluded an MOU to ensure that efforts are complementary, that resources and knowledge gained are shared and that efforts are effective without unnecessary overlap. Coordination with other aid agencies is achieved through the donor coordination process when designing the individual country strategies.

## PART Performance Measurements

**Program:** African Development Fund  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not
80%	63%	100%	33%	Demonstrated

**1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency?**      Answer: NO      Question Weight 20%

**Explanation:** Although its financing is both long-term and zero-interest, AfDF loans to the poorest countries still add to their debt burden and make it difficult for countries to stay on the path of sustainable development. A higher proportion of grants would be more effective. The recently-concluded agreement to replenish the resources of the African Development Fund (the AfDF-IX agreement) increases the proportion of grants in AfDF operations to 18-21%. The U.S. would like a higher proportion of grants. Nevertheless, the AfDF is an effective mechanism for leveraging U.S. resources with substantial development financing from other donors. In addition, the AfDF is now implementing an allocation mechanism which will strongly link financial assistance to country performance, including in the areas of governance, health and education and economic opportunity. Thus AfDF financing is more effective than other programs that have weaker links between aid flows and commitment to economic reforms

**Evidence:** On July 17, 2001, President Bush proposed "that up to 50 percent of the funds provided by the development banks to the poorest countries be provided as grants for education, health, nutrition, water supply, sanitation and other human needs, which will be a major step forward." The Department of the Treasury will continue to encourage the other donors to adopt this benchmark.

**1.5 Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?**      Answer: YES      Question Weight 20%

**Explanation:** The country allocations result from a performance-based allocation system (PBA) that accumulates scores for a country's poverty level, an assessment of its policies and institutions, and portfolio performance. For the AfDF-IX allocations, the Fund revised the PBA to give governance a greater weighting in a country's overall rating and direct a correspondingly larger share of concessional AfDF resources to better performers.

**Evidence:** The PBA has been consistently revised to strike a balance between providing resources to the best-performing African countries and the neediest of the African countries. The balance has tipped more towards the best-performing in recent reviews and modifications.

**2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?**      Answer: YES      Question Weight 12%

**Explanation:** The African Bank Group has implicitly adopted the eight Millennium Development Goals, which serve as very ambitious, long-term performance goals (involving significant progress by 2015). In addition, The African Bank also sets long-term country-specific goals in its Country Strategy Papers (CSP). However, the AfDF does not yet have long-term measures in support of that goal. The African Development Fund agreed in the AfDF-IX negotiations to plan and implement a comprehensive results measurement and result-based management system.

**Evidence:** The Millennium Challenge goals include: (1) Eradicate extreme poverty and hunger; (2) Achieve universal primary education; (3) Promote gender equality and empower women; (4) Reduce child mortality; (5) Improve maternal health; (6) Combat HIV/AIDS, malaria, and other diseases; (7) Ensure environmental sustainability; and (8) Develop a global partnership for development. Long-term performance measures are under development. This is a work in progress owing in part to delays related to the relocation of the Headquarters and staff to Tunis in February.



## PART Performance Measurements

**Program:** African Development Fund  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not Demonstrated
80%	63%	100%	33%	

- 2.2 Does the program have ambitious targets and timeframes for its long-term measures?** Answer: NO Question Weight:12%
- Explanation: The African Development Fund agreed in the AfDF-IX negotiations to plan and implement a comprehensive results measurement and result-based management system.
- Evidence: Targets and timeframes are under development. This is a work in progress owing in part to delays related to the relocation of the Headquarters and staff to Tunis in February.
- 2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?** Answer: NO Question Weight:12%
- Explanation: Prior to the AfDF-IX Replenishment, Fund performance was measured primarily on the basis of financial commitments. The Replenishment negotiations included agreement that the Fund would implement a systematic mechanism for defining and measuring outcomes. At the project level, performance criteria and timetables are the norm.
- Evidence: Annual performance measures are under development. This is a work in progress owing in part to delays related to the relocation of the Headquarters and staff to Tunis in February.
- 2.4 Does the program have baselines and ambitious targets for its annual measures?** Answer: NO Question Weight:12%
- Explanation: Establishing baselines and targets are an integral part of the outcome measurement system mentioned above. Specific projects do have annual targets and outcome measurement in some cases, but the has not been integrated at the institutional level yet.
- Evidence: Baselines and targets are under development. This is a work in progress owing in part to delays related to the relocation of the Headquarters and staff to Tunis in February.
- 2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?** Answer: YES Question Weight:12%
- Explanation: All partners have committed to the Millennium Development Goals implicitly, but the AfDB has not published an official collection of quantifiable long-term goals in the manner of the MDGs. In addition all AfDF members have agreed to the targets elaborated in the Bank Group's Vision Statement.
- Evidence: The AfDF Board, which represents both donors and borrowers, adopted the AfDF-IX goals (the Challenge Goals) and objectives in its lending policy.

## PART Performance Measurements

**Program:** African Development Fund  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not Demonstrated
80%	63%	100%	33%	

**2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?** Answer: YES Question Weight: 12%

**Explanation:** The independent AfDB Audit Unit, which reports directly to the President, conducts regular evaluations of individual projects, country portfolios and cross-country sectoral lending programs. The results of these evaluations are incorporated into the design of follow-on lending to ensure best practices. In addition, the African Bank Group has an Operations and Evaluation Unit to review AfDB policies and recommend improvements and a will have a Policy Compliance Unit to ensure that activities are fully compliant. Perhaps most important is the regular and frequent assessment of effectiveness conducted by the Executive Board and their host governments as loans and policies are submitted to the Executive Board by Bank management.

**Evidence:** The Audit Unit's Annual Report reviews the activities of the previous year and the forward-looking Work Program which previews scheduled activities. Evaluations for the coming year are reviewed by the Committee on Development Effectiveness and the full Board of the AfDF. These are provided in addition to the individual evaluations conducted during the year on an ad hoc basis.

**2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?** Answer: YES Question Weight: 12%

**Explanation:** AfDF requests for donor resources are subject to close scrutiny at the Replenishment exercises which occur every three years and through the annual budget which is submitted for approval by the Executive Board of the AfDF. Annual appropriation requests to Congress are based on commitments negotiated at the replenishment agreements.

**Evidence:** AfDF budgets will increasing be measured against a few, measurable objectives that the Fund is now developing. These measurable outcomes will be specified in the Strategic Plan of the Bank Group

**2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies?** Answer: YES Question Weight: 12%

**Explanation:** Development of a Strategic Plan was part of a major reorganization undertaken in 2000-2001 in order to address Fund weaknesses. While this has added focus to Fund activities, the measurable results are not as specific as the U.S. would like.

**Evidence:** The Strategic Plan and the Work program are on the ADB website. <http://www.afdb.org>

## PART Performance Measurements

**Program:** African Development Fund  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not Demonstrated
80%	63%	100%	33%	

**3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?** Answer: YES Question Weight: 11%

**Explanation:** The Fund regularly collects financial and performance data at the project level (Portfolio reviews) in order to make adjustments as needed both for the individual project and at the country level. Portfolio reviews are intended to help assess country capacity and performance. The AfDB is also taking part in a wider process intended to identify a set of macro-economic and social indicators for African countries that would be available across countries to measure progress on a more aggregated level.

**Evidence:** The Performance Based Allocation System is intended to direct more resources to the better performers as measured against a set of indicators which includes governance, portfolio review and other macro-economic characteristics. As a country's performance changes, resources are augmented or reduced. The formula used to calculate annual allocations was modified under the AfDF-IX negotiations in 2002 to direct even more funds to the better performers than in the past.

**3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?** Answer: YES Question Weight: 11%

**Explanation:** Any significant deviation from the original schedule or cost must be approved by the Executive Board as a waiver. At the project level, project managers hold contractors to predetermined standards of performance both on quality and with regard to timing. At the institutional level, every third year during the Fund replenishment negotiations, donors assess the Fund's development effectiveness to determine whether to make a contribution to the replenishment and at what level.

**Evidence:** Management contracts are a regular feature of Fund lending.

**3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?** Answer: YES Question Weight: 11%

**Explanation:** The Fund has streamlined internal processes in recent years and has thus shortened the lag between project conception and implementation (the intervals vary by project and country).

**Evidence:** Bank/Fund Staff travel to projects to conduct due diligence every 18 months, reduced from 24 months on average in the past. Project implementation units in the host country are responsible for day to day supervision of the project and project spending.

## PART Performance Measurements

**Program:** African Development Fund  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not Demonstrated
80%	63%	100%	33%	

**3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?**

Answer: YES

Question Weight: 11%

**Explanation:** International competitive bidding for major works is the norm, and guidelines are published by the Procurement Unit and repeated in the project documents that are approved by the Executive Board. Implementation of the System Application Product (SAP) Information Technology platform resulted in a major upgrade of the Fund's capacity to monitor project expenditures in a timely manner. The performance allocations system also ensures that better performers receive relatively more financing over time.

**Evidence:** The SAP system was rolled out in stages over the last 8 to 10 months and is now fully operational. International competitive bidding is a long-standing Fund policy.

**3.5 Does the program collaborate and coordinate effectively with related programs?**

Answer: YES

Question Weight: 11%

**Explanation:** MOUs with other major MDBs, the donor coordination process, and the Poverty Reduction Strategy Paper program all reinforce effective coordination and collaboration. Numerous informal exchanges occur on specific topics to help ensure best practices, etc.

**Evidence:** MOUs can be viewed at: <http://www.afdb.org>

**3.6 Does the program use strong financial management practices?**

Answer: YES

Question Weight: 11%

**Explanation:** Financial management at the Fund is fully integrated, incorporating international best standards. Financial statements are audited by an independent auditor annually, Internal controls are performed by the Bank Groups Audit Unit, the risk management unit, the procurement unit and in the reviews conducted by the Executive Board.

**Evidence:** AfDB has an AAA credit rating.

**3.7 Has the program taken meaningful steps to address its management deficiencies?**

Answer: YES

Question Weight: 11%

**Explanation:** The Bank Group is currently attempting to implement a reorganization plan agreed on January 1, 2002 which included a major skills assessment exercise that identified institutional knowledge and skills gaps. The reorganization will make the Bank Group more flexible and more strategically-focused. The reorganization will establish an inspection mechanism and separate Inspection Unit, and Internal Fraud Unit and a Policy compliance Unit. However, the need to relocate the operational headquarters of the Bank Group to Tunis has had an adverse impact on recruitment for individuals to staff the new organizational structure, however.

**Evidence:** The skills management exercise was conducted by an independent consultant and has been partially implemented. Since assuming the Presidency, President Kabbaj had significantly improved management systems and the performance of the Fund's management team.

## PART Performance Measurements

**Program:** African Development Fund  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not
80%	63%	100%	33%	Demonstrated

**3.BF1 Does the program have oversight practices that provide sufficient knowledge of grantee activities?** Answer: YES Question Weight: 11%

Explanation: The African Development Bank Group has an internal portfolio monitoring and supervision system that tracks all ongoing projects and identifies projects at risk.

Evidence: Internal portfolio monitoring reports -- the Annual Portfolio Performance Review -- are submitted to the Board every year.

**3.BF2 Does the program collect grantee performance data on an annual basis and make it available to the public in a transparent and meaningful manner?** Answer: YES Question Weight: 11%

Explanation: The Bank gathers a wide range of economic data on its member countries. This data is published in the AfDB annual Report and in the African Development Report. This data is generally timely and credible and provides a basis upon which the AfDF can better serve its clients.

Evidence: The "diagnostic" reports include AfDB Country Strategy Papers and World Bank Country Poverty Reduction Strategies and Economic and Social Work Diagnostics. The Bank also releases an annual report on AfDB allocations and Bank activities and also compiles an Annual African Development Report that publishes statistics from across the continent. Most, but not all, of the reports completed are available on the Bank's website ([www.afdb.org](http://www.afdb.org)).

**4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals?** Answer: SMALL EXTENT Question Weight: 25%

Explanation: The AfDF-IX Replenishment negotiations were a significant step forward in tying Fund financing and activities to results-based management and establishment of tangible outcome goals. The Country Strategy Papers, which are just now coming to the Executive Board, are more focused and oriented to outcomes, albeit the MDGs in most instances. However, because outcome-based performance measurement is new to the Fund, it is difficult to assess progress on specific goals. However, The African Development Bank Group is committed to developing a more accurate and comprehensive means of measuring the attainment of quantifiable objectives.

Evidence: It is too soon to make a fair assessment of progress since much of what was agreed and planned has been delayed due to the relocation of the Bank to Tunis.

**4.2 Does the program (including program partners) achieve its annual performance goals?** Answer: NO Question Weight: 25%

Explanation: Annual performance goals have not yet been established at the institutional level.

Evidence:

## PART Performance Measurements

**Program:** African Development Fund  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not
80%	63%	100%	33%	Demonstrated

**4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?**

Answer: LARGE  
EXTENT

Question Weight: 25%

**Explanation:** The African Fund employs a performance-based allocation system based on country performance across a range of economic and social indicators, including governance. This system has been a hallmark of IDA assistance for several years, and is being implemented in similar fashion at the African Bank Group. The AfDB has also invested heavily recently in IT technology and in its reorganization. The IT technology helps the Fund to monitor performance more closely on a timely basis.

**Evidence:** The Country Policy and Institutional Assessment (CPIA) assesses the quality of a country's present policy and institutional framework, with the ultimate goal of identifying how conducive that framework is to fostering poverty reduction, sustainable growth and the effective use of development assistance.

**4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?**

Answer: NA

Question Weight: 0%

**Explanation:** The AfDB has adopted IDA's performance-based allocation system for the most part, adjusted to fit the specifics of the bank's mission and Africa itself. Comparisons to other regional development banks and other bilateral programs are difficult since common measurements of effectiveness do not exist upon which to rank the multilateral and bilateral donors.

**Evidence:** No common measurements of effectiveness across multilateral and bilateral donors exist. However, Treasury experience suggests that the African Bank outperforms the Asian Development Bank in this area and is on a par with the performance of IDA.

**4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?**

Answer: SMALL  
EXTENT

Question Weight: 25%

**Explanation:** The large U.S. contribution to the AfDF-IX Replenishment signaled broad U.S. encouragement with the direction the Bank has been moving in recent years and in the significantly improved management team now at the controls. The independent Audit Unit will help to ensure that current trends towards results and outcomes does not waver. The three year cycle for replenishments also ensures that donors will closely follow Fund activities and will continue to press for efficiencies and concrete proof of development effectiveness. This said, specific objectives, aside for the implicit adherence to the MDGs, have not been adequately defined yet due in part to the delays associated with the relocation and related recruitment difficulties.

**Evidence:** The first evidence of the AfDB's commitment to outcomes is just now coming to light in the Country Strategy Papers.

## PART Performance Measurements

**Program:** African Development Fund  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

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Section Scores				Rating
1	2	3	4	Results Not
80%	63%	100%	33%	Demonstrated

**Measure:** Primary education enrollment rates (baseline and targets under development)

**Additional Information:**

Year

Target

Actual

**Measure Term:** Long-term

**Measure:** Extreme poverty and malnutrition rates (baseline and targets under development)

**Additional Information:**

Year

Target

Actual

**Measure Term:** Long-term

## OMB Program Assessment Rating Tool (PART)

### *Direct Federal Programs*

Name of Program: ATF Consumer Product Safety Activities

#### Section I: Program Purpose & Design (Yes, No, N/A)

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 <i>Is the program purpose clear?</i>	Yes	ATF's Consumer Protection activities mission and purpose is clearly stated in their strategic/ performance plans -- assure the integrity of the products, people and companies in the marketplace; ensure compliance with laws and regulations through education, inspection and investigation; inform the public on ATF policies and regulations, product safety, and theft prevention using the Internet, trade publications, seminars and industry meetings.	Congressional Justification, Strategic Plan, U.S. Code Title 27 (Intoxicating Liquors) specifically, chapter 8 - Federal Alcohol Administration Act, Internal Revenue Code, Subtitle E; Alcohol Beverage Labeling Act; Food, Drug and Cosmetic Act; Balanced Budget Act of 1997.	30%	0.3
2 <i>Does the program address a specific interest, problem or need?</i>	Yes	There is a need to ensure compliance with the Federal Alcohol Administration Act (FAA) and the Internal Revenue Code and protect the integrity of the alcohol products on the market through inspection of manufacturing sites and review of labels and formulas.	There are instances of products found in the marketplace that contain unacceptable levels of pesticides, sulfites, methanols. There have also been cases of deceptive and fraudulent labeling and advertising of alcohol products. Although ATF is unable to provide a historical assessment of the magnitude of the problem, it tracks staff workload distribution and findings in its monthly metric report. In 2001, for example, 645 items were tested and 214 failures were found. Failures range from label deficiencies to overproof, unacceptable levels of methanols. Further, approximately 11% of individuals applying for permits are denied for reasons that may include criminal history.	20%	0.2



3	<b>Questions</b> <i>Is the program designed to have a significant impact in addressing the interest, problem or need?</i>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
3	<i>Is the program designed to have a significant impact in addressing the interest, problem or need?</i>	Yes	ATF's Alcohol and Tobacco consumer product safety activities impact interstate and international commerce. While these activities comprise a relatively small percentage of ATF's overall resources and may not be considered "significant" ATF is the only entity that oversees the integrity and safety of alcoholic products. The programs are designed to assure the integrity of the products, market, and individuals associated with the alcohol and tobacco industries through inspection, investigation and laboratory analysis.	ATF spends approximately 2.8% percent (\$21 M and 142 FTEs in FY 2002 and est. \$23M and 142 FTEs for FY 2003) of its resources on consumer protection activities. To ensure consumer safety of alcoholic beverages, 100% of all credible information suggesting serious public health threats are investigated. In addition, product integrity inspections are conducted for high risk label claims, and alcohol beverages are secured from the marketplace for sampling purposes. The integrity of the market is assured through monitoring and investigation of trade practices and advertising. Undesirable elements including suspected terrorists are prevented from entry into the alcohol and tobacco industries through review and investigation of permit applications, of which approximately 11% are withdrawn, abandoned or denied.	10%	0.1
4	<i>Is the program designed to make a unique contribution in addressing the interest, problem or need (i.e., not needlessly redundant of any other Federal, state, local or private efforts)?</i>	Yes	Although ATF's Alcohol Labeling and Formulation Division and National Laboratory Center work closely with the Food and Drug Administration, MOUs and specific authorities provided under the FAA delineate roles to avoid redundancy.	Program are clearly defined in ATF orders. Existing MOUs with other Federal agencies have been or are being established to clearly defined roles. ATF possesses unique ability to provide technical assistance on alcohol beverage issues internationally.	20%	0.2

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
5 <i>Is the program optimally designed to address the interest, problem or need?</i>	Yes	While ATF continually evaluates risk associated with programs, ATF has only recently begun to develop formal performance measures for consumer protection programs. Programs have been subject to independent OIG reviews where no materials weaknesses were noted. Given that there is no conclusive evidence that another approach or method would be more efficient/effective, we are inclined to answer in the affirmative.		20%	0.2
<b>Total Section Score</b>				<b>100%</b>	<b>100%</b>

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
<b>Section II: Strategic Planning (Yes,No, N/A)</b>					
Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 <i>Does the program have a limited number of specific, ambitious long-term performance goals that focus on outcomes and meaningfully reflect the purpose of the program?</i>	Yes	ATF has processes set up to develop annual plans for field and business centers activities, which are linked to ATF's strategic goals. ATF's senior executive led Strategic Leadership Team (SLT) sets the bureau's strategic plan. Detailed priority driven operating plans are developed in support of the strategic plan by program offices (e.g. Alcohol and Tobacco). These are used by field operations in developing detailed implementing plans, which are monitored by Headquarters and field supervisors. In support of this, long-term IT goals are developed by the executive led Information Resource Management Council (IRMC). The IRMC makes recommendations to the SLT. The Alcohol and Tobacco Corporate Board (ATCB) is a program office level version of the SLT. The ATCB has developed multi-year goals for increasing effectiveness and efficiency of alcohol and tobacco programs including technology advancements (e.g. chemically authenticate wine label claims).	Long term performance goals and performance measures are delineated in: ATCB developed Strategic Goals document; the annual Alcohol and Tobacco operating plan; Certificate of Label Approvals (COLA) Online business case; systems integration business case; and ATF orders (e.g. Alcohol Beverage Sampling Program Procedural Guidelines and Adverse Action & Assessment Case Processing Guidelines). The performance goals established through FY 2008 include 1) increase the percentage of COLAs processed within 9 days to 70% of 2008; 2) 75% of label approval applications submitted and processed electronically; 3) Investigation of 100% of all credible information suggesting a serious threat to public health regarding alcohol products	14%	0.1

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
2 <i>Does the program have a limited number of annual performance goals that demonstrate progress toward achieving the long-term goals?</i>	Yes	Annual performance goals are clearly delineated in the ATCB Strategic Goal listing and the operating plan instructions to field operations, The implementing plans are reviewed by headquarters and field supervisors prior to adoption.	Headquarters and field managers monitor performance on a regular basis to ensure progress is being demonstrated. Examples of annual goals are: 1) % of label approval applications submitted and processed electronically -- from 10% in FY 2003 to 75% in FY 2008; 2) Responses to unsafe products and product deficiencies (alcohol), constant at 190 through 2003, including investigation of 100% of all credible information suggesting a serious threat to public health regarding alcohol products. Additionally, 33% of all samples tested were found to be deficient regarding label claims. This number is expected to increase due to improvements in the alcohol beverage sampling targeting.	14%	0.1
3 <i>Do all partners (grantees, sub-grantees, contractors, etc.) support program planning efforts by committing to the annual and/or long-term goals of the program?</i>	No	Although ATF's planning process is highly collaborative and may involve State partners that share similar goals of product assurance and public safety, the States' commitment to the program's annual and long-term goals is not formalized.		14%	0.0
4 <i>Does the program collaborate and coordinate effectively with related programs that share similar goals and objectives?</i>	Yes	ATF uses innovative partnerships both internally and externally.	ATF has partnerships with Customs, FDA, FTC through MOUs. Additionally, there are numerous instances of partnerships with state agencies to achieve common goals.	14%	0.1

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
5	<i>Are independent and quality evaluations of sufficient scope conducted on a regular basis or as needed to fill gaps in performance information to support program improvements and evaluate effectiveness?</i>	No	There are sporadic GAO reports and OIG audits, but these generally focused on ATF's excise taxation and firearms related programs. While ATF is subject to independent customer service surveys, these surveys are neither sufficiently comprehensive nor specific to allow ATF to make significant improvements in its program management.		14%	0.0
6	<i>Is the program budget aligned with the program goals in such a way that the impact of funding, policy, and legislative changes on performance is readily known?</i>	Yes	In 1998, ATF restructured its financial/accounting systems to better align with its strategic goals.	The ATF Congressional Justification, Accountability Report, regular meeting with its Strategic Leadership Team and Resource Management Committee.	14%	0.1
7	<i>Has the program taken meaningful steps to address its strategic planning deficiencies?</i>	Yes	ATF has a system for identifying and correcting deficiencies in the strategic planning process.	ATF's senior executive led Strategic Leadership Team (SLT) sets the bureau's strategic plan and meets on a regular basis to address strategic planning issues, including deficiencies. In support of this, long-term IT goals are developed by the executive led Information Resource Management Council (IRMC). The IRMC makes recommendations to the SLT and identifies potential strategic planning deficiencies in the IT arena. The Alcohol and Tobacco Corporate Board (ATCB) is a program office level version of the SLT. The ATCB has developed multi-year goals for increasing effectiveness and efficiency of alcohol and tobacco programs. Regular strategic planning meetings are held by both the ATCB and SLT to address any strategic planning deficiencies.	14%	0.1
<b>Total Section Score</b>					<b>100%</b>	<b>71%</b>

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
<b>Section III: Program Management (Yes, No, N/A)</b>					

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 <i>Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?</i>	Yes	ATF has a process whereby various directorates meet on a regular basis. The annual plan, including alcohol and tobacco strategic goals and priorities, is developed with program office and field operations, and is confirmed with all field managers prior to implementation. Additionally, managers' performance appraisals are integrated with achieving the goals set forth in the strategic plan, and specifically, Alcohol and tobacco strategic goals as published on ATF's intranet.	The annual plan, including alcohol and tobacco strategic goals and priorities, is developed with program office and field operations, and is confirmed with all field managers prior to implementation. Alcohol and tobacco strategic goals and priorities are monitored and reported on internal monthly issues reports, as are industry metrics in monthly Metric Reports, and the status of field inspection programs through data mining of the real time information in ATF's case management system.	14%	0.1
2 <i>Are Federal managers and program partners (grantees, subgrantees, contractors, etc.) held accountable for cost, schedule and performance results?</i>	Yes	ATF has one efficiency measure for internal use related to its laboratory work response rate for alcohol and tobacco samples. However, internally, ATF tracks resource allocation throughout the year and when the allocation is inconsistent, program managers can isolate and analyze the situation. Further, to ensure accountability, the managers appraisal includes references to the annual operations plan, which is aligned with the annual performance plan.	1) Manager's appraisal template 2) Annual operations and implementation plan, 3))ATF's target of 50% performance based contracts by 2005.	21%	0.2

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
3	<i>Are all funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?</i>	Yes	Fund for these programs are allocated to program divisions and are obligated for their intended purpose in a timely manner. In instances when there are potential problems, ATF's budget execution team works with the program office and Treasury to develop reprogramming proposals for Congress with OMB approval.	ATF's financial management system allows for regular tracking of spending by project code, Regular reviews of spending are conducted. Treasury Annual Report, SF 132 (Apportionment), SF 133 (Report on Budget Execution and Budgetary Resources).	14%	0.1
4	<i>Does the program have incentives and procedures (e.g., competitive sourcing/cost comparisons, IT improvements) to measure and achieve efficiencies and cost effectiveness in program execution?</i>	Yes	ATF has processes set up to develop annual plans for field and business centers activities, which are linked to ATF's strategic goals. Detailed operating plans are developed in support of the strategic plan by program offices (e.g. Alcohol and Tobacco). These are used by field operations in constructing detailed implementing plans, which are monitored by Headquarters and field supervisors.	The program utilizes business cases for all major IT investments, which include performance goals and measures for improving efficiency and lowering costs. Currently there are two IT investment business cases for the COLA Online project and the Integrated Revenue Information System, both of which have performance expectations. For example the COLA Online project identifies the goal to reduce annual contracting costs by 50% by the third year after deployment of the new application.	14%	0.1
5	<i>Does the agency estimate and budget for the full annual costs of operating the program (including all administrative costs and allocated overhead) so that program performance changes are identified with changes in funding levels?</i>	No	ATF utilizes a project cost accounting system to capture direct and indirect program /project cost. However, ATF does not capture full pension accrual costs.	ATF's cost model estimates full costs including benefits and overhead associated with personnel and programs, but excludes pension accruals.	7%	0.0
6	<i>Does the program use strong financial management practices?</i>	Yes	ATF has had six consecutive unqualified audit opinions with no material weaknesses reported by auditors.	Unqualified audit opinions by OIG.	14%	0.1

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
7 <i>Has the program taken meaningful steps to address its management deficiencies?</i>	Yes	ATF has had a good record of responding to OIG recommendations and improving its management deficiencies consistent with the President Management Agenda such as aligning its programs and budget to better assess full costs of program. However, ATF will need to continue this record by strengthening the linkage between the cost information and program performance and in such areas as competitive sourcing.	Congressional Justification, regular tracking of OIG Review corrective actions.	14%	0.1
<b>Total Section Score</b>				<b>100%</b>	<b>93%</b>



Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
<b>Section IV: Program Results (Yes, Large Extent, Small Extent, No)</b>					

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 <i>Has the program demonstrated adequate progress in achieving its long-term outcome goal(s)?</i>	Large Extent	To ensure the safety of the consumer regarding alcoholic beverages, 100% of all credible information suggesting a serious threat to public health are investigated. In addition, product integrity inspections are conducted for high risk label claims, and alcohol beverages are secured from the marketplace for sampling purposes. The integrity of the market is assured through monitoring and investigation of trade practices and advertising. Undesirable elements are prevented from entry into the alcohol and tobacco industries through review and investigation of permit applications, of which approximately 11% are withdrawn, abandoned or denied. ATF is still actively improving its measures in this program.	GPRA report, Congressional Justifications, regular reporting of information in monthly metric reports of case statistics and status, and in the alcohol and tobacco monthly issues report of progress towards achieving outcome goals established in the alcohol and tobacco strategic goals document.	30%	0.2

Long-Term Goal I: Target: Actual Progress achieved toward goal:	Assure the Integrity of the Products, People and Companies in the Marketplace Increase the percentage of Certificate of Label Approvals (COLA). 10% in FY 2003 to 75% by 2008 ATF is on schedule to meeting its target for enabling electronic submissions by 2003.
Long-Term Goal II: Target: Actual Progress achieved toward goal:	Inform the public Inform and guide through conducting commodity seminars to the regulated industries. Target 175 constant from FY 03-08. ATF conducted 195 commodity seminars in FY 2001 compared to the FY 2001 plan of 175.
Long-Term Goal III: Target: Actual Progress achieved toward goal:	Ensure compliance with laws through education, inspection and investigation Develop and implement a program for analytical authentication of wine label claims by 2003 ATF is on schedule to meeting its target for establishing a Viticultural verification program. Testing is taking place on samples which have been collected in accordance with the milestone established in the Office of Alcohol and Tobacco Strategic Goals document.

2 <i>Does the program (including program partners) achieve its annual performance goals?</i>	Large Extent	ATF has numerous performance goals, however ATF is still in the process of developing formal performance measures to capture outcomes.	GPRA report	30%	0.2
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Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
Key Goal I: Performance Target: Actual Performance:		Percent of label approvals submitted and processed electronically (new)	10% target for FY 2003 TBD		
Key Goal II: Performance Target: Actual Performance:		Number of Unsafe product and product deficiencies (alcohol) identified	190 (of which 33% of products tested are found deficient) 190		
Key Goal III: Performance Target: Actual Performance:		Investigation of 100% of all credible information suggesting a serious threat to public health regarding alcohol products	100% 100%		

Footnote: Performance targets should reference the performance baseline and years, e.g. achieve a 5% increase over base of X in 2000.

3	<i>Does the program demonstrate improved efficiencies and cost effectiveness in achieving program goals each year?</i>	Small Extent	ATF has a number of effectiveness measures, efficiency measures, and established milestones for internal use related to program performance as are delineated in the strategic planning document.	The program utilizes business cases for all major IT investments, which include performance goals and measures for improving efficiency and lowering costs. Currently there are two IT investment business cases for the COLA Online project and the Integrated Revenue Information System, both of which have performance expectations. For example the COLA Online project identifies the goal to reduce annual contracting costs by 50% by the third year after deployment of the new application. An additional example of improved efficiencies is evidenced in the implementation of the recommendations of the Beverage Alcohol Streamlining Team (BAST), which reengineered the workflow and processes regarding product compliance based on a comprehensive review of the existing processes.	20%	0.1
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Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
4 <i>Does the performance of this program compare favorably to other programs with similar purpose and goals?</i>	n/a	ATF emphatically believes that its mission is unique because no other Federal entity protects the integrity of alcohol in the same capacity. However, there are other Federal entities such as the Food and Drug Administration (FDA) that has a similar program purpose of product assurance and safety that merits examination. FDA measures such as its inspection performance gap (percent of various entities inspected within x years) is an example of a transparent measure that could benefit ATF's ability to assess its own performance.		0%	
5 <i>Do independent and quality evaluations of this program indicate that the program is effective and achieving results?</i>	No	There are no regularly scheduled independent and quality evaluations that is both comprehensive and able to indicate definitively that the program is effective and achieving results.		20%	0.0
<b>Total Section Score</b>				<b>100%</b>	<b>47%</b>

**OMB Program Assessment Rating Tool (PART)  
Block/Formula Grants**

Name of Program: Bank Enterprise Award

**Section I: Program Purpose & Design (Yes, No, N/A)**

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
1	<i>Is the program purpose clear?</i>	Yes	The BEA Program seeks to build the capacity of FDIC-insured depository institutions to: (1) expand their community development lending and investments within severely underserved areas, and (2) increase their investment in Community Development Financial Institutions (CDFIs) in order to build self-sufficiency and capacity. BEA encourages insured depository institutions to increase their level of activities in the form of loans, investments, services, and technical assistance within distressed communities and provides financial assistance to CDFIs through grants, stock purchases, loans, deposits, and other forms of financial and technical assistance.	CDFI Performance plan, Authorizing legislation and the BEA Program regulations.	20.0%	20.0%
2	<i>Does the program address a specific interest, problem or need?</i>	Yes	The program addresses the lack of a private-sector financial infrastructure to address unemployment, poverty, and other problems associated with distressed communities.	Authorizing legislation - PL 103-325, BEA Program regulations.	20.0%	20.0%
3	<i>Is the program designed to have a significant impact in addressing the interest, problem or need?</i>	No	Under the program, awardees are under no obligation to reinvest BEA program award funds in community development initiatives. While program surveys indicate that 87-percent of awardees have used program grants to reinvest in community development initiatives, these surveys are not verified. Under the Community Reinvestment Act (CRA) banks are required by law to make similar types of investments. While the Fund asserts that awards are used by banks to engage in less profitable investments (such as below market rate or riskier loans) in distressed communities than they otherwise would have under the CRA, it cannot be determined how the banks would have behaved in absence of the award. The Fund has proposed restructuring the program in order to achieve a greater impact by amending the law to allow the Fund to select awardees based on a qualitative evaluation of proposals to engage in high priority activities.	Authorizing legislation - PL 103-325, BEA Program regulations, BEA Program Annual Survey, and Documents submitted to OMB during the PART review.	20.0%	0.0%
4	<i>Is the program designed to make a unique contribution in addressing the interest, problem or need (i.e., not needlessly redundant of any other Federal, state, local or private efforts)?</i>	No	CRA requires that banks engage in many of the activities promoted by the BEA. BEA uses a different incentive structure than the CRA. BEA offers awards based on past investment activity in distressed communities. BEA is also more targeted toward the most distressed communities than CRA, which is wider in its demographic scope. Because the CRA and BEA complement each other, BEA is not unique in encouraging investments in distressed communities. BEA may also duplicate certain aspects of other Federal programs including the Small Business Administration's (SBA )microloan program.	BEA Program Annual Survey, various research on the CRA, CRA regulations and examiner guidance	20.0%	0.0%

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
5 <i>Is the program optimally designed to address the interest, problem or need?</i>	No	<p>BEA uses an indirect incentive structure to promote investment. The current statute calls for BEA awards to be based on community development activities that have already occurred with no requirements to reinvest award funds in community development initiatives. The Fund has acknowledged this weakness in the statute and has proposed increasing the impact of the program by amending the law to allow it to make awards based on prospective commitments to engage in innovative investment activities.</p> <p>Another option that could achieve similar goals to the BEA without outlaying Federal dollars would be to increase enforcement of CRA. Currently, enforcement of the CRA is through the application process and thus is a significant factor for only a small portion of banks (i.e., those institutions that are active in mergers and acquisitions). The majority of BEA awardees are small to mid-sized community banks that are not actively growing. As BEA awards are based on prior community investment activities, the BEA gives incentives to small and mid-size community banks where limited enforcement of the CRA does not.</p>	BEA Program Annual Survey, various research on the CRA, CRA regulations and examiner guidance	20.0%	0.0%
<b>Total Section Score</b>				<b>100%</b>	<b>40%</b>

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
<b>Section II: Strategic Planning (Yes, No, N/A)</b>					
1	<i>Does the program have a limited number of specific, ambitious long-term performance goals that focus on outcomes and meaningfully reflect the purpose of the program?</i>	Yes	For FY 2004, the Fund changed its performance plan from focusing on outputs (e.g., number and dollar amount of awards) to the benefits that will be produced in underserved communities: job creation, homeownership, affordable housing creation, and critical consumer financial services. BEA performance goals are to: (1) expand the community development lending, services, and investments of banks within severely underserved areas, and (2) increase bank investment in CDFIs in order to build their self-sufficiency and capacity.	CDFI 2000-2005 Strategic Plan, CDFI Fund 2003 Strategic Plan	14.3% 14.3%
2	<i>Does the program have a limited number of annual performance goals that demonstrate progress toward achieving the long-term goals?</i>	Yes	The Fund recently adopted outcome based performance goals and measures for the entire agency, including the BEA Program. These new annual performance goals show movement toward achievement of the Fund's strategic goal (a corollary to a long-term goal).	CDFI Annual Performance Plan - FY 2003 Performance Plan	14.3% 14.3%
3	<i>Do all partners (grantees, sub-grantees, contractors, etc.) support program planning efforts by committing to the annual and/or long-term goals of the program?</i>	No	Because the award is retrospective, there are no prospective performance requirements. The Final Reports submitted by applicants are used to determine award amounts. Award amounts are directly related to the performance of the applicant: the greater the past performance (i.e., the increase in activities), the greater the award and the greater the probability of receiving an award. Applicants must also submit an annual survey.	Annual Survey of BEA Program Recipients, CDFI Annual Report.	14.3% 0.0%
4	<i>Does the program collaborate and coordinate effectively with related programs that share similar goals and objectives?</i>	Yes	BEA staff routinely communicate with the regulatory agencies regarding the CRA. The regulatory agencies also regularly communicate with BEA staff regarding the Program. Fund staff has presented training to examiners on the BEA and CDFIs. In addition, the Fund engages in regular coordination with the regulatory agencies for marketing purposes. The regulators' field staff attend the sessions as well.	Documents submitted to OMB during PART review process.	14.3% 14.3%
5	<i>Are independent and quality evaluations of sufficient scope conducted on a regular basis or as needed to fill gaps in performance information to support program improvements and evaluate effectiveness?</i>	No	There have been no recent independent evaluations of the program.		14.3% 0.0%
6	<i>Is the program budget aligned with the program goals in such a way that the impact of funding, policy, and legislative changes on performance is readily known?</i>	Yes	In its FY 2004 budget submission, the Fund took steps to closely link funding with performance goals.	FY 2004 Budget Submission to OMB.	14.3% 14.3%

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
7 <i>Has the program taken meaningful steps to address its strategic planning deficiencies?</i>	Yes	The program has recently adopted more outcome based performance measures and has matched its budget activities with performance goals in their FY2004 budget submission.	FY 2004 Budget Submission to OMB. Documents submitted to OMB during PART review process.	14.3%	14.3%
<b>Total Section Score</b>				<b>100%</b>	<b>71%</b>

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score	
<b>Section III: Program Management (Yes, No, N/A)</b>						
1	<i>Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?</i>	No	The Fund collects performance information which it uses to make the award decisions. This data is verified as part of the application review process. The Fund has also surveyed applicants since 1998, however, this information is not audited nor verifiable. The Fund used this survey data along with the results of focus groups conducted across the county to inform its management decisions.	CDFI Annual Report, BEA Applications, BEA Survey data, Memo on Focus Group Findings.	11%	0.00
2	<i>Are Federal managers and program partners (grantees, subgrantees, contractors, etc.) held accountable for cost, schedule and performance results?</i>	Yes	The program manager is directly accountable for ensuring that the program is implemented in a timely and cost effective manner.	Manager's current performance plan on	11%	0.11
3	<i>Are all funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?</i>	Yes	Annual carryover balances are minimal	The Fund has not had carryover for the BEA Program since 1998.	11%	0.11
4	<i>Does the program have incentives and procedures (e.g., competitive sourcing/cost comparisons, IT improvements) to measure and achieve efficiencies and cost effectiveness in program</i>	Yes	Salary and expenses relative to resources appear to be reasonable	FY 2004 OMB Budget Submission	11%	0.11
5	<i>Does the agency estimate and budget for the full annual costs of operating the program (including all administrative costs and allocated overhead) so that program performance changes are identified with changes in funding levels?</i>	Yes	Recent budget submission reflects full annual costs of operating the program.	FY 2004 Budget Submission to OMB	11%	0.11
6	<i>Does the program use strong financial management practices?</i>	Yes	The Fund is independently audited. In the FY 2001 report, the Fund received an unqualified opinion on its FY 2001 financial statements. In addition, the auditors did not identify any material weaknesses, reportable conditions, nor any areas of non-compliance.	Audited Financial Statements of CDFI - January 2002.	11%	0.1
7	<i>Has the program taken meaningful steps to address its management deficiencies?</i>	Yes	The Fund has recently streamlined the program operation and review. It has also improved the program database in order to reduce errors and increase efficiency.	BEA Program Regulations, Policies and Procedures, Application (Parts I and II).	11%	11.1%
8 (B 1.)	<i>Does the program have oversight practices that provide sufficient knowledge of grantee activities?</i>	No	While program awards are based on prior investments in low income areas and the promise to increase that investment, the Fund cannot determine whether the additional investment would have taken place in the absence of a government program.	BEA Program Regulations, Policies and Procedures, Application (Parts I and II).	11%	0.0%



Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
9 (B 2.) <i>Does the program collect grantee performance data on an annual basis and make it available to the public in a transparent and meaningful manner?</i>	Yes	The Fund publishes on its website a list of awardees, short descriptions of their activities, as well as an overall description of the funding round. The Fund has surveyed applicants since 1998 and has made the analysis of the results available as well.	FY 2002 Performance Plan and BEA Annual Survey.	11%	11.1%
<b>Total Section Score</b>				<b>100%</b>	<b>78%</b>

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
<b>Section IV: Program Results (Yes, Large Extent, Small Extent, No)</b>					
1	<i>Has the program demonstrated adequate progress in achieving its long-term outcome goal(s)?</i>	No	Refer to goals listed below. Program goals are outcome-oriented, but goals are new and data on progress toward meeting goals will be collected in FY 2003. FY 2002 goals were output-oriented.	FY2004 Budget Submission to OMB	20.0% 0.00%
<p>Long-Term Goal I: Increase financing to businesses (including non-profit businesses) and individuals that are low wealth, have limited collateral, are located in underserved communities, or have other characteristics that inhibit them from getting business or commercial real estate loans or equity investments from traditional financial resources.</p> <p>Target: 4,930 jobs in underserved communities created or maintained by businesses financed by BEA Program applicants;</p> <p>Actual Progress achieved toward goal: Not Available. The Fund will begin collecting relevant data in FY 2003.</p> <p>Target: 1,510 commercial real-estate properties financed by BEA Program applicants that provide access to essential community products and services in</p> <p>Actual Progress achieved toward goal: Not Available. The Fund will begin collecting relevant data in FY 2003.</p> <p>Long-Term Goal II: Build on the self-sufficiency and capacity of CDFI Program awardees and certified CDFIs.</p> <p>Target: \$95 million in private and non-CDFI Fund investments that CDFI Fund awardees were able to leverage because of their CDFI assistance.</p> <p>Actual Progress achieved toward goal: Not Available. The Fund will begin collecting relevant data in FY 2003.</p>					
2	<i>Does the program (including program partners) achieve its annual performance goals?</i>	No	Refer to goals listed below. Program goals are outcome-oriented, but goals are new and data on progress toward meeting goals will be collected in FY 2003. FY 2002 goals were output-oriented.	FY2004 Budget Submission to OMB	20% 0.0%
<p>Key Goal I: Expand the supply and quality of housing units in underserved communities and increase homeownership in these markets by increasing the availability of housing financing that leverages conforming mortgages or that would not likely be made by traditional financial institutions</p> <p>Performance Target: 391 affordable housing units (including rental units) in underserved communities whose development or rehabilitation is financed by BEA Program applicants with financing not available from traditional financial institutions or that leverages additional financing from traditional financial resources.</p> <p>Actual Performance: Not Available. The Fund will begin collecting relevant data in FY 2003.</p> <p>Performance Target: 204 homebuyers in underserved markets who obtain non-conforming purchase money mortgages, including subordinated financing, or financing that leverages conforming mortgages from BEA Program applicants.</p> <p>Actual Performance: Not Available. The Fund will begin collecting relevant data in FY 2003.</p> <p>Key Goal II: Expand access to affordable financial services for the "unbanked," "low-income people and others.</p> <p>Performance Target: 102,000 accounts opened at insured depository institutions that are BEA Program applicants in underserved communities.</p> <p>Actual Performance: Not Available. The Fund will begin collecting relevant data in FY 2003.</p> <p>Performance Target: 425,000 individuals provided financial literacy, home ownership, business and other training or technical assistance that counters predatory lending.</p> <p>Actual Performance: Not Available. The Fund will begin collecting relevant data in FY 2003.</p> <p>Key Goal III:</p> <p>Performance Target:</p> <p>Actual Performance:</p> <p>Key Goal IV:</p> <p>Performance Target:</p>					

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score	
Actual Performance:						
3	<i>Does the program demonstrate improved efficiencies and cost effectiveness in achieving program goals each year?</i>	Yes	In the last year, program management decreased from 1 manager, 1 advisor, and 3 analysts to 1 manager and 1 analyst. The review process moved online in the FY 2002 round, which reduced staff time involved. Several new forms were completed to facilitate the application process for applicants.	BEA Program Regulations, Policies and Procedures, Application (Parts I and II).	20%	0.20
4	<i>Does the performance of this program compare favorably to other programs with similar purpose and goals?</i>	Yes	The BEA program may subsidize lending required under the Community Reinvestment Act. However, the program also appears to be more cost-effective than SBA's microloan program, which yields about \$30 million in investment at a cost of \$30 million. The BEA Program focuses on investing and service activities as well as lending. The types of lending encouraged include housing, small business, commercial real estate, multifamily. It also encourages applicants to engage in activities not specifically required or incentives by the CRA.	2000 Annual Survey of BEA Program Recipients, CRA Regulations, Agency Questions and Answers	20%	0.20
5	<i>Do independent and quality evaluations of this program indicate that the program is effective and achieving results?</i>	No	There have been no recent independent evaluations of BEA. The last independent evaluation of the agency was performed by GAO in 1998, who found that the impact of the BEA program is difficult to assess because of incomplete data and lack of monitoring over the banks. This finding was based on one year of experience and the program has since issued new regulations and has collected additional data. The Fund has performed surveys of previous awardees to obtain feedback on the program design and implementation. Also, the Fund conducted focus groups through out the country regarding program performance and potential changes. Finally, the Fund hired a private consultant to conduct an evaluation of training needs of CDFIs, which included CDFI banks. There have been no independent evaluations of the program since the implementation of these program changes.	Hearing before the House Subcommittee on Financial Institutions and Consumer Credit. June 17, 1998. GAO testimony.	20%	0.00
<b>Total Section Score</b>				<b>100%</b>	<b>40%</b>	

## PART Performance Measurements

**Program:** CDFI Fund: Financial and Technical Assistance  
**Agency:** Department of the Treasury  
**Bureau:** CDFI Fund  
**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
80%	88%	80%	20%	

**1.1 Is the program purpose clear?**

Answer: YES

Question Weight 20%

**Explanation:** The purpose of the program is to build the capacity and coverage of community development financial institutions (CDFIs) to provide credit, capital, and related services to underserved markets. The program builds capacity through financial assistance (FA) and technical assistance (TA) investments in CDFIs and proposed CDFIs.

**Evidence:** CDFI Fund Revised Goals and Measures. Authorizing statute (see 12 USC 4701(b)). Coverage is defined as the number of qualifying investment areas for which a CDFI provides some or a number of needed financial products and services.

**1.2 Does the program address a specific and existing problem, interest or need?**

Answer: YES

Question Weight 20%

**Explanation:** Urban, rural and Native communities continue to face social and economic problems arising in part from lack of economic growth and employment opportunities. CDFIs identify and respond to community needs for equity investments, loans, and development services.

**Evidence:** Authorizing statute. Public and private studies indicate lack of financial products and services in low-and moderate-income communities: 1) Woodstock Institute's 'Bigger, Faster' But Better? How Changes in the Financial Services Industry Affect Small Business Lending in Urban Areas" 2) Small Business Administration's "The Impact of Bank Consolidation on Small Business Credit Availability," 3) Fannie Mae Foundation's 'Financial Services in Distressed Communities: Framing the Issue, Finding Solutions.'

**1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?**

Answer: NO

Question Weight 20%

**Explanation:** Although the CDFI Program is the only federal program that provides assistance solely to CDFIs, several states also administer similar programs. Further, private sector equity investments in CDFIs allow them to provide credit, capital and related services to underserved communities.

**Evidence:** Approximately twelve states operate CDFI-related programs, including Illinois, California, North Carolina and Texas.

**1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency?**

Answer: YES

Question Weight 20%

**Explanation:** The program is free of major flaws and there is no strong evidence that another approach would be more efficient or effective in achieving the program's purpose. The Fund estimates that for each federal dollar awarded, \$21 in private dollars are generated.

**Evidence:** Annual survey data. Leverage calculation memo.

**1.5 Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?**

Answer: YES

Question Weight 20%

**Explanation:** Financial assistance (FA) awards are available only to certified CDFIs while technical assistance (TA) awards are available to CDFIs and proposed CDFIs. By definition, CDFIs have a mission of community development, target underserved communities and are accountable to their target markets.

**Evidence:** FA underwriting criteria require awardees to provide distressed communities with access to financial products and services, as well as development services (technical assistance or training), and promote the program purpose of expanding services to new communities. TA awards are made solely to build the capacity of CDFIs or proposed CDFIs.

## PART Performance Measurements

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**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
80%	88%	80%	20%	

**2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?**      Answer: YES      Question Weight: 13%

Explanation: The CDFI Program recently developed two long-term performance measures -- asset growth and CDFI coverage.

Evidence: CDFI Fund Revised Performance Goals and Measures. The long-term measures will be added to the Fund's strategic plan in 2005.

**2.2 Does the program have ambitious targets and timeframes for its long-term measures?**      Answer: NO      Question Weight: 13%

Explanation: The program has a target and timeframe for one of the long-term measures (asset growth). However, a target for the other long-term measure (CDFI coverage) will not be established until FY 2005 when baseline data is available for collection and analysis.

Evidence: The target for asset growth is based on analysis of actual data reported by awardees on FY 1999 - FY 2001 activities. Baseline data for CDFI coverage will be collected through the Fund's mapping system (CIMS) and the Community Investment Impact System (CIIS), a new data collection system.

**2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?**      Answer: YES      Question Weight: 13%

Explanation: The program has three annual outcome measures that demonstrate progress towards achieving both long-term goals. The program also has an efficiency measure.

Evidence: CDFI Fund Revised Performance Goals and Measures.

**2.4 Does the program have baselines and ambitious targets for its annual measures?**      Answer: YES      Question Weight: 13%

Explanation: The Fund has baselines and targets for two annual outcome measures -- asset growth and leveraging capability. Baseline and targets for the third outcome measure and the efficiency measure are not yet available.

Evidence: Data from CIIS will be used to identify a baseline and target for the third outcome measure -- CDFI coverage. Budget and management data will be used to establish a baseline and target for the efficiency measure. Baseline and target information for both measures will be published in FY 2005.

**2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?**      Answer: YES      Question Weight: 13%

Explanation: All organizations receiving funding are bound by assistance agreements that require certain levels of performance. The performance of these organizations are tied directly to the Fund's long-term and annual goals. Additionally, awardees must report on the use of funds and, if applicable, matching funds to the Fund's Grants Management and Compliance unit. This unit is responsible for verifying compliance with assistance agreements.

Evidence: Assistance agreements. Reports Management Database (RMD). Compliance monitoring policies and procedures for CDFI awardees.

## PART Performance Measurements

**Program:** CDFI Fund: Financial and Technical Assistance  
**Agency:** Department of the Treasury  
**Bureau:** CDFI Fund  
**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
80%	88%	80%	20%	

**2.6**      **Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?**      Answer: YES      Question Weight:13%

Explanation: The Fund is in the process of contracting with an independent consulting firm to to conduct an evaluation of the program. The evaluation will use statistical methods to assess the programs' effectiveness, including addressing what would have happened to communities and CDFIs in the absence of the program.

Evidence: The evaluation is being designed to meet the evaluation criteria set forth in the PART guidelines. The contract should be signed in October of 2004.

**2.7**      **Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?**      Answer: YES      Question Weight:13%

Explanation: The Fund's budget submissions tie achievement of long-term and annual performance goals to projected and actual budget allocations. All direct and indirect costs are likewise allocated within the program.

Evidence: FY 2005 budget submission and performance plan.

**2.8**      **Has the program taken meaningful steps to correct its strategic planning deficiencies?**      Answer: YES      Question Weight:13%

Explanation: The Fund contracted with a non-profit consulting firm to help evaluate the program's annual performance goals and measures, and identify appropriate long-term performance measures and efficiency measures. As a result, the Fund revised its annual performance goals and measures, and created long-term performance measures and a new efficiency measure.

Evidence: Scope of work for non-profit consulting firm.

**3.1**      **Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?**      Answer: YES      Question Weight:10%

Explanation: Awardees are required to submit performance data annually through CIIS, the Fund's web-based data collection system. Data is analyzed and used to measure the Fund's progress towards its performance goals, and to develop appropriate underwriting policies.

Evidence: CIIS Institution Level Report and Transaction Level Report. FY 2003 and FY 2004 FA funding application and underwriting criteria. Starting in FY 2004, the Fund is collecting transaction-level data through CIIS, which will allow it to measure targeting and coverage with greater accuracy, providing critical information that can be used for policy considerations.

## PART Performance Measurements

**Program:** CDFI Fund: Financial and Technical Assistance  
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**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
80%	88%	80%	20%	

**3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?** Answer: YES Question Weight:10%

Explanation: Employee performance plans ensure that managers are held accountable for achievement of programmatic objectives. Additionally, awardees are required to report on, and are held accountable for, achievement of performance goals. The Fund's Grants Management and Compliance unit reviews all reports to verify compliance with assistance agreements.

Evidence: Fund program managers' performance plans. Assistance agreements. Reports Monitoring Database (RMD).

**3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?** Answer: YES Question Weight:10%

Explanation: The Fund has two-year budget authority for its program and administrative funds and follows prescribed policies and procedures to obligate funds in a timely manner. Internal controls ensure improper payments are identified and corrected.

Evidence: SF 132 - "Apportionment and Reapportionment Schedule"; SF 133 - "Report on Budget Execution and Budgetary Resources"; Schedule of Carryover Balances; Review of Program Payments Under the Improper Payments Information Act of 2002.

**3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?** Answer: NO Question Weight:10%

Explanation: Although the Fund recently established an efficiency measure for the CDFI program, baseline and targets for the measure are not yet available.

Evidence: The Fund will publish baseline and target information for the efficiency measure in FY 2005.

**3.5 Does the program collaborate and coordinate effectively with related programs?** Answer: YES Question Weight:10%

Explanation: The Fund is the lead organizing agency in the Interagency Collaborative for Community and Economic Development (ICCED), which is currently working to identify redundancies among community and economic development programs and establishing common performance measures.

Evidence: ICCED Crosscut PART Working Group meeting agendas.

**3.6 Does the program use strong financial management practices?** Answer: YES Question Weight:10%

Explanation: The Fund has received a clean audit opinion for the past six years, with no reportable conditions nor any instances of non-compliance with laws and regulations.

Evidence: CDFI Fund Audited Financial Statements, which also includes the Fund's FMFIA certification. Review of Fund programs under the Improper Payments Information Act of 2002.

## PART Performance Measurements

**Program:** CDFI Fund: Financial and Technical Assistance  
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**Bureau:** CDFI Fund  
**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
80%	88%	80%	20%	

**3.7 Has the program taken meaningful steps to address its management deficiencies?** Answer: YES Question Weight:10%

Explanation: In FY 2002, the Office of Inspector General conducted a review of the Fund's post award administration process for the CDFI Program. Each of the ten findings and sixteen recommendations were addressed and implemented.

Evidence: "Financial Management/Compliance with the Federal Financial Management Improvement Act: Community Development Financial Institutions Fund Post-Award Administration Process," OIG-02-122, September 24, 2002.

**3.CO1 Are grants awarded based on a clear competitive process that includes a qualified assessment of merit?** Answer: YES Question Weight:10%

Explanation: FA applicants are reviewed and approved on a competitive basis established in the notice of funding availability (NOFA) and detailed in the funding application. TA applicants are reviewed on a merit-based process outlined in the NOFA and the funding application. Outreach is conducted every year via videoconference that is widely available and is supplemented by in-person outreach sessions throughout the country.

Evidence: FY 2004 FA and TA NOFAs. FY 2004 outreach schedule.

**3.CO2 Does the program have oversight practices that provide sufficient knowledge of grantee activities?** Answer: YES Question Weight:10%

Explanation: The Fund's Grants Management and Compliance receives reports from awardees regarding the use of award and matching funds, and the achievement of performance goals required in assistance agreements. Starting in FY 2003, Grants Management and Compliance personnel began conducting site visits of a sample of awardees.

Evidence: Compliance policies and procedures for CDFI Program awardees. CDFI Fund site visit reports.

**3.CO3 Does the program collect grantee performance data on an annual basis and make it available to the public in a transparent and meaningful manner?** Answer: NO Question Weight:10%

Explanation: The Fund collects and analyzes performance data, and disseminates it to the public at an aggregate level through its accountability report. Disaggregated data is not yet available, however. The Fund expects to make disaggregated data available in FY 2004.

Evidence: Accountability reports; CIIS reports. In FY 2004, the Fund began collecting transaction-level data, which is information on each loan/investment an allocatee makes. The Fund is developing policies for sharing institution-level and transaction-level data with the public, within the confines of privacy and financial disclosure laws and concerns.

**4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals?** Answer: NO Question Weight:30%

Explanation: The Fund recently developed two long-term performance goals but has not had the opportunity to measure progress in achieving them. Data collected through CIIS starting in June 2004 will be used to begin to measure progress on one long-term measure and to set the baseline and target for the other measure.

Evidence:



## PART Performance Measurements

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**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
80%	88%	80%	20%	

**4.2 Does the program (including program partners) achieve its annual performance goals?**      Answer: LARGE EXTENT      Question Weight 30%

**Explanation:** The PART includes three annual performance measures, of which two are new. The third annual goal has actual performance data, which shows that the Fund achieved its target in FY 2003.

**Evidence:** FY 2005 Congressional Budget Submission and Annual Performance Report. FY 2003 and FY 2004 Performance Accountability Reports.

**4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?**      Answer: NO      Question Weight 20%

**Explanation:** The Fund recently developed an efficiency measure and has not had the opportunity to measure progress in achieving it.

**Evidence:**

**4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?**      Answer: NA      Question Weight: 0%

**Explanation:** Although the CDFI Program is the only federal program whose sole purpose is to support CDFIs, several states also administer CDFI programs. However, there are no evaluations comparing the federal CDFI program with state-run CDFI programs. Further, it would be too costly to perform such an evaluation especially in light of the Fund's work on the Interagency Collaborative for Community and Economic Development (ICCED). This working group is exploring the development of common measures among community and economic development programs so that such evaluations are available in the future.

**Evidence:**

**4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?**      Answer: NO      Question Weight 20%

**Explanation:** The independent evaluator has not yet issued findings or recommendations.

**Evidence:**

## PART Performance Measurements

**Program:** CDFI Fund: Financial and Technical Assistance  
**Agency:** Department of the Treasury  
**Bureau:** CDFI Fund  
**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
80%	88%	80%	20%	

**Measure:** Percent of CDFIs that increased their total assets

**Additional Information:** This long-term measure seeks to quantify the asset growth of CDFIs that receive federal funds via CDFI Fund.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2010	80%		

**Measure:** Percent of CDFIs that increased their total assets over the previous year

**Additional Information:** This annual measure supports the asset growth long-term measure.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2004	50%	67%	

**Measure:** Amount of private and non-CDFI Fund investment that CDFIs leverage with the CDFI Fund financial assistance awards

**Additional Information:** This annual measure supports the asset growth long-term measure.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2003	\$1.0 B	\$1.6 B	
2004	\$669 M	\$2.6 B	

**Measure:** Increase in the percentage of eligible areas served by a CDFI

**Additional Information:** This long-term measure seeks to identify CDFI coverage.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
FY 2010	TBD		

## PART Performance Measurements

**Program:** CDFI Fund: Financial and Technical Assistance  
**Agency:** Department of the Treasury  
**Bureau:** CDFI Fund  
**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
80%	88%	80%	20%	

**Measure:** Percentage of eligible areas served by one or more CDFI

**Additional Information:** This annual measure supports the CDFI coverage long-term measure.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
FY 2005	baseline		
FY 2006	TBD		
FY 2007	TBD		

**Measure:** Administrative costs per financial assistance application processed

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
FY 2005	baseline		
FY 2006	TBD		
FY 2007	TBD		

## OMB Program Assessment Rating Tool (PART)

### *Direct Federal Programs*

Name of Program: Coin Production

#### Section I: Program Purpose & Design (Yes, No, N/A)

	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1	<i>Is the program purpose clear?</i>	Yes	The Circulating Coin program is clearly stated in the Mint's FY 00 Strategic Plan: Produce coinage to satisfy the needs of commerce in a cost efficient and safe manner with state-of-the-art manufacturing technology and equipment. The Mint also produces numismatic and bullion coins and is responsible for protection of its precious metals inventory.	The United States Mint was established on April 2, 1873 by an act of Congress and became an operating bureau of the Treasury pursuant to the Coinage Act of 1873. Specific authorities of the Secretary of Treasury in coinage are codified in Title 31, secs. 5111-5112. FY 1996 Treasury/GG Appropriations Act(PL 104-52)created the Public Enterprise (revolving) Fund to finance the operations of the Mint and eliminated the need for discretionary appropriations.	20%	0.2
2	<i>Does the program address a specific interest, problem or need?</i>	Yes	The government has a vested interest in ensuring the availability of circulating coinage in commerce.		20%	0.2

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
3	<i>Is the program designed to have a significant impact in addressing the interest, problem or need?</i>	Yes	The Mint's circulating coin program is designed specifically to respond to the Fed Reserve's (FRB) demand for coinage.	In FY 2001, \$564 million or 59% of the Mint's overall expenses involved circulating coinage, 37% involved numismatic products, and 4% involved protection of assets.	20%	0.2
4	<i>Is the program designed to make a unique contribution in addressing the interest, problem or need (i.e., not needlessly redundant of any other Federal, state, local or private efforts)?</i>	Yes	There is no other Federal, State, or local governmental entity that produces circulating coins.	Coinage Act of 1873	20%	0.2
5	<i>Is the program optimally designed to address the interest, problem or need?</i>	Yes	There are a variety of models and organizational structures for circulating coin production in the world; however, there is no conclusive evidence that any one of them is most efficient.		20%	0.2
<b>Total Section Score</b>					<b>100%</b>	<b>100%</b>

	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
<b>Section II: Strategic Planning (Yes,No, N/A)</b>						
	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1	<i>Does the program have a limited number of specific, ambitious long-term performance goals that focus on outcomes and meaningfully reflect the purpose of the program?</i>	Yes	The Mint's current strategic plan includes several long term goals for the circulating program; however, only one is considered ambitious and meaningfully reflects the purpose of the program. The Mint recently revised its strategic plan and is currently working with Treasury and OMB to ensure that it reflects its vision of providing value, integrity, and performance consistent with GPRA and PMA. In the current plan, there are five strategic goals, one of which is ambitious and an other which is an efficiency goal.	Circulating coinage five objectives: 1)Produce coins and maintain inventories at sufficient levels to meet Federal Reserve Bank requirements (not ambitious, specific); 2)Produce circulating commemorative quarters as mandated by law (not ambitious, specific); 3)By 2005, reduce the controllable costs of circulating coinage by 15 percent from FY 1997(ambitious, specific); 4)Become a world leader in minting technology (ambitious, not specific); 5) Produce and promote a dollar coin as mandated by law (not ambitious, specific).	7%	0.1
2	<i>Does the program have a limited number of annual performance goals that demonstrate progress toward achieving the long-term goals?</i>	Yes	The Mint's current annual performance goal for the program : 1)Conversion cost per 1,000 coin equivalents. (Note: the coin equivalent methodology assigns a weighting for each denomination based on the resources it takes to make the coin from blank or coin strip.) The Mint recently revised its strategic plan and has established several annual performance goals to demonstrate progress towards achieving the new long-term goal of the program.	Treasury's current strategic goal: Improve the efficiency of production operations and maintain the integrity of US coins and currency. Mint's long term strategic goals for circulating coinage: reduce controllable costs (excluding metals) by 15% by 2005. New annual performance measures include 1) Yield, 2) machine availability, 3) cycle time, 4)inventory turnover,5) lost time accident rate. The Mint will also use workload measures to indicate progress towards achieving goals. However, the Mint has not made significant linkages between their annual performance goals to the four other strategic goals reference above.	16%	0.2

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
3	<i>Do all partners (grantees, sub-grantees, contractors, etc.) support program planning efforts by committing to the annual and/or long-term goals of the program?</i>	Yes	The Federal Reserve is a partner with the Mint in the coining process. One joint activity that is performed within the partnership is monitoring coin activity within the federal Reserve Bank (FRB), the economy and within the Mint's and FRB's joint coin inventories. A joint Mint/Federal Reserve Coin Efficiencies Workgroup was formed in October 2001 to streamline the coin manufacture and distribution system.	1. Coin Efficiencies Workgroup. 2. TR9000 Report: a report customized for the Mint by the Federal Reserve, which lists coin demand, shipments, payouts, receipts, and Mint inventories. This report is used by the Mint to forecast coin needs of the public. Moreover, the report is used monthly, quarterly, and annually to study coin activity externally in commerce and internally, within the Mint.	14%	0.1
4	<i>Does the program collaborate and coordinate effectively with related programs that share similar goals and objectives?</i>	Yes	The U.S. Mint is part of a supply chain to provide coinage to commerce. The Federal Reserve is a partner in that supply chain and serves as the distribution point for coinage to the commercial banking system. The Mint works closely with the FRB to establish coin orders and shipment schedules to more than 100 endpoints (armored carrier terminals and depository institutions to which the Mint delivers coinage).	1. Coin Efficiency Workgroup 2. Federal Reserve Bank Liaison staff. The workgroup consists of members from the FRB and the Mint FRB liaison staff. The role of the joint workgroup is to streamline the coin manufacture and distribution system, and lower costs to the American economy. Joint efforts of the group include initiatives such as: 1) develop joint Mint/FRB macro-economic model to forecast long-term coin demand; 2) reduce storage and handling at the Mint warehouses; 3) reduce transportation costs; and 4)implement monthly ordering and inventory tool.	14%	0.1

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
5	<i>Are independent and quality evaluations of sufficient scope conducted on a regular basis or as needed to fill gaps in performance information to support program improvements and evaluate effectiveness?</i>	No	The OIG and the GAO do not regularly evaluate Mint programs. However, the Mint's Office of Chief Financial Officer (OCFO) conducts a review of the Mint's performance on a monthly basis. Further independent auditors (Urbach, Kahn & Werlin LLP Certified Public Accountants) review the Mint during its annual audit process.		5%	0.0
6	<i>Is the program budget aligned with the program goals in such a way that the impact of funding, policy, and legislative changes on performance is readily known?</i>	Yes	The budget for the program is generally aligned with the program goals and is linked to the Mint's strategic plan.	The Mint uses activity-based costing principles to assess full cost of each of its main programs. The Mint's congressional justification and budget documentation are integrated in such a way to reflect the three budget activities: 1) circulating coinage; 2) numismatic and bullion coinage; 3) protection of assets, and are aligned with the performance measures directly related to them. Since coin demand fluctuates due to changes in the economy, the Mint and FRB have jointly implemented a coin inventory management and forecasting tool.	29%	0.3



	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
7	<i>Has the program taken meaningful steps to address its strategic planning deficiencies?</i>	Yes	The Mint has a process for identifying and responding to deficiencies in their strategic planning and is currently working with Treasury and OMB to ensure that it is meaningful, sufficiently ambitious, and consistent with the GPRA.	Actual performance results are reviewed against planned performance regularly. In addition, a performance measure task force was established to review and analyze the Mint's current and past performance measures and to identify opportunities for improvement.	14%	0.1
<b>Total Section Score</b>					<b>100%</b>	<b>95%</b>

	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
<b>Section III: Program Management (Yes,No, N/A)</b>						
	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1	<i>Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?</i>	Yes	The Mint's coinage operations depends heavily on their partnership with the Federal Reserve. The Mint uses a report (TR9000), customized for the Mint by the Federal Reserve, which lists coin demand, shipments, payouts, receipts, and Mint inventories. This report is used by the Mint to forecast coin needs of the public. The Mint also uses the COINS system to generate cost data reports.	1. Internal Measures Sheet, 2. Vendor Contracts, 3. TR9000 Report.	21%	0.2
2	<i>Are Federal managers and program partners (grantees, subgrantees, contractors, etc.) held accountable for cost, schedule and performance results?</i>	No	The Mint does not specifically use performance measures to evaluate the performance of its SES or mid-level managers. However, the OCFO conducts monthly financial reviews with the Mint's Executive Team to review and discuss financial information, performance measures, and various projects or initiatives. The managers are expected to provide updates, and explain and justify variances in the financial and performance information.		21%	0.0
3	<i>Are all funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?</i>	Yes	The Mint is a Public Enterprise Fund and its circulating coin program operations are funded from the "sale" of circulating coins (at face value) to Federal Reserve Banks. While receipts do not expire, the Mint does obligate in a timely manner.	Financial Summary report, SF 132 Apportionment.	14%	0.1

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
4	<i>Does the program have incentives and procedures (e.g., competitive sourcing/cost comparisons, IT improvements) to measure and achieve efficiencies and cost effectiveness in program execution?</i>	Yes	Mint has developed procedures to allow managers to find efficiencies and improve cost effectiveness in program execution. Frontline managers can assess the status of key performance measures through the Mint intranet.	Examples: 1)Coinage Strip Contracts award. The Mint examined its process for procuring raw metals and contracting the coinage strip fabricators and discovered opportunities for savings. The Mint worked with two current suppliers to develop process improvements, negotiate reduced fabrication rates, and give the contracting fabricators the responsibility for procuring the raw metals. Estimated savings \$38.7 million or 5% from 2002-2007. 2) Monthly performance results published on the Mint Intranet.	7%	0.1
5	<i>Does the agency estimate and budget for the full annual costs of operating the program (including all administrative costs and allocated overhead) so that program performance changes are identified with changes in funding levels?</i>	No	The Mint began implementation of activity based management in 1999 for its circulating facilities. However, the FY 04 Budget does not include the full cost of retirement.	1. Manufacturing's Activity Based Costing (ABC) Model, 2. Corporate Allocation Study (1997) The ABC Model information allows the Mint to measure and track process improvements both from an operation and financial standpoint. The ABC system allows for full costing of direct materials, indirect materials, direct labor, indirect labor, and fixed and variable overhead. The ABC Model also enables the Mint to do various scenarios in its budget formulation.	7%	0.0
6	<i>Does the program use strong financial management practices?</i>	Yes	For the past eight years, the Mint has received a clean audit opinion. There are no material internal control weaknesses identified for this activity. Further, the Mint has established an internal function to conduct reviews and studies to evaluate the efficiency and effectiveness of the Mint programs, major initiatives, and finance functions.	OIG Audit Reports. The Mint has established an internal function to help keep the Mint on track in addressing the audit recommendations from GAO/OIG. A monthly status update is provided to the executive team.	7%	0.1

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
7	<i>Has the program taken meaningful steps to address its management deficiencies?</i>	Yes	The Mint has made notable efforts to establish internal processes separate from its production functions that address management deficiencies.	Although there are no internal control weaknesses for the program, weaknesses have been identified for its information technology environment, and in specific applications that support circulating coinage and other operations. To address management deficiencies in the areas of computer security, the Mint has undertaken an extensive, voluntary audit of its information technology security. A program to address computer security incidents has been put in place and mandatory training classes for employees were provided.	21%	0.2
<b>Total Section Score</b>					<b>100%</b>	<b>71%</b>

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
<b>Section IV: Program Results (Yes, Large Extent, Small Extent, No)</b>					

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 <i>Has the program demonstrated adequate progress in achieving its long-term outcome goal(s)?</i>	Large Extent	FY 2001 showed significant progress towards achieving the long-term goal.	GPRA Performance Report	40%	0.3

Long-Term Goal I:	By 2005, reduce the controllable costs of circulating coinage by 15 percent.
Target:	Achieve a 15% reduction from the baseline of \$10.26 in FY 1997
Actual Progress achieved toward goal:	In FY 2001, the Mint's conversion costs for coin equivalents was 19% less than the FY 1997 baseline.
Long-Term Goal II:	Produce coins and maintain inventories at sufficient levels to meet Federal Reserve Bank requirements.
Target:	100%
Actual Progress achieved toward goal:	100%
Long-Term Goal III:	
Target:	
Actual Progress achieved toward goal:	

2 <i>Does the program (including program partners) achieve its annual performance goals?</i>	Yes	The Mint either met or exceeded its annual performance targets	GPRA Performance Report	40%	0.4
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Key Goal I:	Frequency of time meeting a minimum seasonal adjusted, inventory level
Performance Target:	100%
Actual Performance:	100%
Key Goal II:	Conversion cost per 1,000 coin equivalents
Performance Target:	By 2004, 9.75
Actual Performance:	In 2002, 8.69
Key Goal III:	Federal Reserve Board Customer Satisfaction Survey results
Performance Target:	85%
Actual Performance:	87%

Footnote: Performance targets should reference the performance baseline and years, e.g. achieve a 5% increase over base of X in 2000.

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
3	<i>Does the program demonstrate improved efficiencies and cost effectiveness in achieving program goals each year?</i>	Yes	In addition to achieving its annual efficiency targets (Conversion cost to produce 1000 coin equivalents), the Mint has two programs that have improved efficiency and safety-- the bulk bag program and capital improvements.	Bulk bag program: During the last 24 months the Mint worked with the FRBs, the coin processing industry, equipment suppliers and other stakeholders to implement bulk bag packaging of coins for shipment instead of manually bagging smaller bags. The Mint expects savings of \$3 million annually. Coining press replacement plan: The Mint is currently conducting a life cycle analysis on its major coining equipment. Initial goal is to begin replacement of its 20+ year old finger press.	15%	0.2
4	<i>Does the performance of this program compare favorably to other programs with similar purpose and goals?</i>	n/a	The Mint and BEP have a common efficiency measure-- Conversion cost to produce 1000 coins/notes . However, the products produced are so varied that the costs between producing 1000 coins versus notes is not necessarily meaningful. For FY 04, both the Mint and BEP will have new measures such as "General and Administrative costs as a percentage of revenue (for the Mint) and as a percentage of total cost (for BEP). Although the measure is not exactly the same, the tracking of such information in the future will allow more meaningful comparison of common functions.		0%	

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
5	<i>Do independent and quality evaluations of this program indicate that the program is effective and achieving results?</i>	No	See Section II, Question 5. While there are no regularly scheduled, independent evaluations that indicate the program's effectiveness, the Mint conducts a Federal Reserve Board Customer Satisfaction Survey and has made noteworthy efforts to institutionalize organizational self assessments of performance, such as creating an Office of Program Evaluation within the Mint.	Although the Mint does not have regularly scheduled independent and comprehensive evaluations, the agency has attempted to reach out to other Mints to study specific issues such as technology improvements. In FY 1999, a team with members from the Royal Canadian Mint, the British Royal Mint, and the US Mint interviewed personnel from each facility and reviewed the operations. From the review, a list of technology projects was developed to enable the Mint to improve its process. Projects include the review of die steel, upsetting of blanks before annealing, and blank thickness control.	5%	0.0

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
			<p>As a point of comparison, in calendar year 2000 the United States Mint produced over 28 billion coins while the British Royal Mint, the Japanese Mint Bureau, and the Royal Canadian Mint produced less than 5 billion coins combined. There is currently a new initiative being spearheaded by the Director of the United States Mint within the International Mint Director community to begin a forum for discussion of issues at their annual conference. The Mint has also begun conversations with several private sector manufacturing companies for informal benchmarking on several different production-related issues.</p>		
<b>Total Section Score</b>				<b>100%</b>	<b>82%</b>



## PART Performance Measurements

**Program:** Debt Collection  
**Agency:** Department of the Treasury  
**Bureau:** Financial Management Service (FMS)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	88%	100%	87%	

**1.1 Is the program purpose clear?**

Answer: YES

Question Weight 25%

**Explanation:** In response to a steady increase in the amount of delinquent non-tax debt owed to the United States, and concern that appropriate actions were not being taken to collect this delinquent debt, Congress enacted the Debt Collection Improvement Act of 1996 (DCIA). The Debt Collection Program's purpose is to improve the quality of the Federal Government's financial management by increasing the collection of delinquent debt owed to the Government, by providing debt management services to all Federal agencies, and by protecting the financial interests of the American taxpayer.

**Evidence:** Title 31, Section 3701 of the DCIA (P.L. 104-134). The IRS Restructuring and Reform Act of 1998 (P.L. 105-206) amended the Internal Revenue Code to authorize offsetting tax refund payments to collect delinquent state income tax obligations. Also, the Taxpayer Relief Act of 1997 (105-34) and Executive Order 13019 - Collecting Delinquent Child Support Obligations (signed September 28, 1996).

**1.2 Does the program address a specific and existing problem, interest or need?**

Answer: YES

Question Weight 25%

**Explanation:** The Financial Management Service (FMS) serves as the Government's central debt collection agency, managing the government's delinquent debt portfolio. The Debt Collection Program exists to increase the collection of delinquent debt owed to the government. Delinquent debt can include everything from unpaid education loans to unpaid housing loans to money owed via the Medicare program by secondary payers. FMS has also been charged with collection State income tax debt and child support debt. FMS promotes sound financial and debt management practices Governmentwide by performing its debt collection activities.

**Evidence:** There is more than \$54.4 billion in non-tax delinquent debt owed to the Federal Government as of the end of 2002. Including tax debt, delinquencies total \$186.6 billion. Agency referrals of debt more than 180 days delinquent have significantly increased. For example, referrals of debt for cross-servicing (a centralized debt collection process that manages delinquent debts referred from agencies across a variety of collection tools) increased from 43 percent of eligible debt in 1999 to 92 percent in 2002.

**1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?**

Answer: YES

Question Weight 20%

**Explanation:** FMS' Debt Collection Program has been given the responsibility for providing efficient and effective centralized delinquent debt collection for the Federal and State Governments. Further, FMS' Debt Collection Program has been given authority to designate and exempt payment types from centralized collection. The FMS Debt Collection Program leverages and supports other debt collection efforts across multiple levels of government (i.e., continuous levy of Federal tax debt, assisting states in collecting delinquent child support debt and offsetting delinquent state tax debt). The Program also reflects an effective public/private sector partnership through the extensive use of private collection agencies and credit bureau organizations.

**Evidence:** The DCIA provides that any non-tax debt or claim owed to the U.S. Government that is 180 days delinquent, with certain exceptions, will be referred to the Department of the Treasury for collection.

## PART Performance Measurements

**Program:** Debt Collection  
**Agency:** Department of the Treasury  
**Bureau:** Financial Management Service (FMS)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	88%	100%	87%	

**1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency?**      Answer: YES      Question Weight: 15%

**Explanation:** Since 1996, the Debt Collection Program has evolved and grown in both its scope and number of responsibilities. In addition, the ability of the Program to effectively form public/private sector partnerships through the extensive use of private collection agencies and credit bureau organizations is a credit to its design and flexibility. FMS works to address areas of improvement as identified by GAO audits, but none are considered major flaws.

**Evidence:** The design and flexibility of the Program has enabled it to accomplish the following: 1) Collections have steadily increased in both programs since inception -- the Treasury Offset Program (TOP) has increased from \$1.73 billion in 1996 to \$2.77 billion in 2002, and Cross-Servicing has increased from \$1.2 million in 1997 to \$85.7 million in 2002; 2) The Program effectively merged the IRS Tax Refund Offset (TRO) program with TOP in 1999, and enhanced the program to increase TRO collections; 3) The TOP system was sufficiently flexible, robust, and scalable to incorporate tax levy, benefit offset, and the offset of tax rebate checks (\$470 million in collections in 2001); and 4) Administrative Wage Garnishments (AWG) was incorporated into the Cross-Servicing Program.

**1.5 Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?**      Answer: YES      Question Weight: 15%

**Explanation:** In FY 2002, FMS collected \$2.84 billion while program costs were about \$53.5 million. Approximately \$53 of debt was collected for each dollar of program cost. In addition, 93 percent of the debt identified as eligible for referral was referred to FMS in FY 2002.

**Evidence:** Through April 2003, FMS has collected \$17 billion since inception of the DCIA. Funds collected by these programs go back for agency use, to the Treasury General Fund, through the States to child support families, and to the States for other programs. Child Support collections totaling \$10 billion has gone back to families in need. More than 1,100 agency participants attending FMS workshops, conferences, symposia, and seminars on debt collection throughout the country in FY 2002. FMS also conducts meetings with agency Chief Financial Officers and finance offices on debt referral and other debt collection developments.

**2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?**      Answer: YES      Question Weight: 12%

**Explanation:** FMS recently developed a long-term (out to 2010) performance measure. It is: "There will be \$3.5 billion collected annually from delinquent debt referrals.

**Evidence:** Appendix A of the FMS Strategic Plan (FY 2003 - FY 2008). The Programs' long-term strategic goal is to "maximize collection of Government delinquent debt by providing efficient and effective centralized debt collection services." This goal is supported by underlying objectives, strategies, and action plans that are intended to move the Program forward (i.e., Central salary offset, AWG, Debt Check, FedDebt). Further, FMS uses activity based costing to track costs and to assess actuals for the current and preceding years. This data and other information is used as part of the budget deliberation process to project future strategic goals, performance measures and targets, two years out.

## PART Performance Measurements

**Program:** Debt Collection  
**Agency:** Department of the Treasury  
**Bureau:** Financial Management Service (FMS)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	88%	100%	87%	

**2.2 Does the program have ambitious targets and timeframes for its long-term measures?** Answer: NO Question Weight:12%

**Explanation:** The FMS long-term performance measure is not ambitious. Based on past performance and anticipated improvements in debt collection activity, we believe that FMS likely could collect more than \$3.5 billion in 2010. In addition, FMS does not provide a schedule of annual performance targets beyond FY 2005.

**Evidence:** FY 2001 actual performance was \$2.7 billion collected. FY 2002 and FY 2003 actual collections were \$2.84 billion and \$3.1 billion respectively. Growth in collections was about \$133 million per year from FY 2001 to FY 2003. Based on collections of \$3.5 billion by 2010, the growth in collections would need to be only \$57 million per year.

**2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?** Answer: YES Question Weight:12%

**Explanation:** FMS has concrete, quantifiable, and measurable annual goals to help manage the Program's progress toward the collection of debt (the long-term outcome and purpose of the program). The Program reports results based on its annual performance measures on a monthly basis. In addition, program performance data is collected and reviewed on a monthly basis (e.g., eligible referrals, \$'s collected for each collection tool, and \$'s collected per major collection program).

**Evidence:** The FY 2004 FMS Congressional Justification. The Debt Collections' annual Performance Measures are to: 1) Increase the amount of delinquent debt collected through all available tools; 2) Increase the percentage of delinquent debt referred to FMS for collection compared to amount eligible for referral; and 3) Increase the amount of debt collected for every dollar of Debt Collection Program cost, compared to FY 2002 baseline of \$52.53.

**2.4 Does the program have baselines and ambitious targets for its annual measures?** Answer: YES Question Weight:12%

**Explanation:** FMS will have three performance measures to monitor the performance of its Debt Collection Program beginning in FY 2004. The targets established for each of these measures are aggressive and exemplify a strong management commitment towards the continued success and improvement of this Program. The new performance measure (number 3) has a baseline to measure performance against.

**Evidence:** The FY 2004 FMS Congressional Justification links actual performance to performance targets.

## PART Performance Measurements

**Program:** Debt Collection  
**Agency:** Department of the Treasury  
**Bureau:** Financial Management Service (FMS)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	88%	100%	87%	

**2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?** Answer: YES Question Weight: 12%

**Explanation:** The Federal Reserve Banks (FRB), Private Collection Agencies (PCA), States, and Federal Program Agencies (FPA) work towards FMS achieving its annual performance goals, as is evident by the continued success of the Treasury Offset and Cross-Servicing Programs. FMS has a continuing program to encourage states to participate in the State Tax Offset Program. PCAs are used by FMS as a method to collect delinquent debt and support the Debt Collection Program's goals. FPAs refer debts in accordance with the Debt Collection Improvement Act of 1996 (DCIA).

**Evidence:** FMS has collected \$17 billion (through April 2003) since inception of the DCIA, and collections have shown consistent growth. Thirty states plus DC currently participate in offsetting state tax debt; FMS has collected \$158 million since FY 2000 in state tax offsets. During FY 2003, FMS added five more states to the State Tax Offset Program, increasing the number from twenty-five to thirty states plus DC. A minimum of two new states will be added in calendar year 2003. To date, \$70.9 billion of child support debt has been referred. Activities of the PCAs are monitored by personnel of the Private Collection Branch (PCB), Debt Services Division of FMS' Debt Management Service. PCA collections increased by 55 percent in 2002 compared to 2001, in large part due to the success of the new PCA contract. Debt referrals increased from 89 percent in FY 2001 to 93 percent in FY 2002.

**2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?** Answer: YES Question Weight: 12%

**Explanation:** Weekly and/or monthly reports are run on tools used in the debt collection process, including TOP and the Cross-Servicing Program. The OIG and GAO regularly audit the Debt Collection Program. FMS also has an integrated evaluation, planning and budgeting process to ensure ongoing feedback and improvement. FMS' Management Controls Branch conducts internal control reviews of the Debt Collection Program as required by the FMFIA and FMS' five-year Management Control Plan.

**Evidence:** FMS is continually subject to OIG and GAO audits. These audits provide a regular, independent stream of information on collection programs. Congress conducts annual hearings on FMS' implementation of the DCIA as well as to provide performance status on debt collection activities.

**2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?** Answer: YES Question Weight: 12%

**Explanation:** FMS' budget is aligned by program activity and is tied to the purpose of the program. The budget request includes amounts for overhead, retirement costs, and other direct and indirect costs.

**Evidence:** The FY 2005 FMS budget request clearly indicates the full cost of achieving performance goals.

## PART Performance Measurements

**Program:** Debt Collection  
**Agency:** Department of the Treasury  
**Bureau:** Financial Management Service (FMS)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	88%	100%	87%	

**2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies?**      Answer: YES      Question Weight:12%

**Explanation:** In 1997, FMS shifted its strategic focus on debt collection to prioritize implementation of individual provisions of the DCIA and to focus on Program achievement. In addition, FMS has recognized the need for long-term performance goals/measures and will work to establish and support such goals/measures.

**Evidence:** Over the last several years, FMS has been successful in implementing DCIA provisions and Program enhancements to strengthen and improve the Debt Collection Program. Examples are: Merger of IRS TRO and TOP; implementation of continuous tax levy program; implementation of offset of state tax debt; implementation of benefit (SSA) offset and levy; development of AWG; centralized salary offset; debt check (barring delinquent debtors); and non-Treasury disbursing office payments. FMS has revamped the PCA process by redoing the contract, improving oversight of the PCAs, shifting the focus to performance, and decreasing the number of PCAs from 13 to 5. The results have been increased efficiency and the doubling of collections annually. The Tax Refund Offset (TRO) Program has significantly increased collections each year, since the transfer to FMS in 1997. Collections currently exceeds \$2.6 billion each year which is \$900 million over the 1997 level.

**3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?**      Answer: YES      Question Weight:14%

**Explanation:** The process of collecting and reporting debt collection data is performed on a monthly basis. The methodology and the origin of the data are consistent from month to month. FMS collects monthly performance data on Private Collections Agencies (PCA's) and uses that data to reward best performing contractors on a tri-annual basis - - the reward consists of a larger portion of the debt portfolio for the next servicing period.

**Evidence:** FMS has made enhancements to the Treasury Report on Receivables Due from the Public which enables FMS to more thoroughly monitor and evaluate agency referral and collection performance by generating computerized five-year trend analysis reports. FMS also prepares an Annual Debt Collection Report, which covers governmentwide accomplishments in debt collection. Collection data is generated by the program systems (TOP and Cross-Servicing) and is reported on a monthly basis. The data from the program systems is validated against the data contained in the Debt Management Account System (DMAS). Referral data is loaded from files received from Federal program agencies, which are responsible for certifying debt referrals to Treasury.

## PART Performance Measurements

**Program:** Debt Collection  
**Agency:** Department of the Treasury  
**Bureau:** Financial Management Service (FMS)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	88%	100%	87%	

**3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?** Answer: YES Question Weight:14%

**Explanation:** The PCA contract is performance-based, and PCAs are rewarded for successful debt collection performances. FMS managers are held accountable by the inclusion of cost, schedule, and performance goals in their annual performance plans. FMS holds seminars and workshops throughout the year to educate the Federal Program Agencies (FPAs) about the Debt Collection Program. FMS continuously meets with agencies to discuss debt referrals in efforts to ensure debts are referred timely for better opportunities for collection. The FRB, as the fiscal agent, provides services under FMS' guidance and direction.

**Evidence:** Steering Committee Meetings are held quarterly to report on the progress of milestones. PCA performance is measured and awarded accordingly. Debts are distributed to the 5 PCAs based on its performance in prior years. Annual compliance reviews are conducted by the Private Collection Branch (PCB) of the Debt Services Division of Debt Management Services to ensure the PCAs are acting in accordance with established guidelines set forth in the contract. FMS works with the FRB to develop requirements for necessary services and products, monitors the FRBs progress, and approves the deliverables. FMS provides data on agency debt collection statistics (receivables, collections, referrals, etc) to OMB.

**3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?** Answer: YES Question Weight:14%

**Explanation:** This Program is funded through revenue and an annual salaries and expenses account; the Program follows a predictable spending pattern largely driven by payroll and contract costs. On a weekly basis, collections are electronically disbursed to the Federal Program Agencies and participating state agencies. Over 50 percent of the Program collections are returned to the states for child support.

**Evidence:** During FY 2002, FMS' Debt Collection Program obligated 97.5 percent of its funds for debt related program expenses.

**3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?** Answer: YES Question Weight:14%

**Explanation:** FMS has a variety of procedure and cost measures which it uses to help evaluate and achieve improved efficiencies.

**Evidence:** FMS has made enhancements to the Treasury Report on Receivables Due from the Public which enables FMS to more thoroughly monitor and evaluate agency referral and collection performance by generating computerized five-year trend analysis reports. FMS also uses an Activity-Based-Costing method to track costs and set fees for services. FMS program managers use Exhibit 300 [cost and schedule goal section] to monitor program performance and to ensure swift correction of any programmatic deficiencies that may arise. This has led to marked improvement in ensuring that cost and schedule goals are adequately monitored for success.

## PART Performance Measurements

**Program:** Debt Collection  
**Agency:** Department of the Treasury  
**Bureau:** Financial Management Service (FMS)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	88%	100%	87%	

**3.5 Does the program collaborate and coordinate effectively with related programs?** Answer: YES Question Weight:14%

**Explanation:** FMS holds workshops throughout the year across the country. The goal of these workshops is to improve the Debt Collection Program and increase the amount of referrals and collections. FMS maintains constant agency liaison with agencies. FMS relies heavily on the willingness of agencies to refer debts to FMS for offset and cross-servicing. Working with Health & Human Services, FMS has substantially increased the number of Medicare secondary payor debts referred to FMS for collection through PCAs.

**Evidence:** Critical to the success of collection efforts is the role of the federal program agencies: referring eligible debts. At the close of FY 2002, 93 percent of the eligible federal non-tax debts had been referred to the TOP for collection. For the same time period, 96 percent of the eligible debts had been referred to the Cross-Servicing Program for collection. Collections under Continuous Tax Levy totaled \$60 million in FY 2002, a 264 percent increase from the \$16.5 million collected in FY 2001.

**3.6 Does the program use strong financial management practices?** Answer: YES Question Weight:14%

**Explanation:** FMS has no material weaknesses from audits for its Debt Collection Program. The Debt Management Accounting System (DMAS) provides all the accounting information for the Debt Collection Program. The DMAS reports all financial information timely and accurately, and meets all statutory requirements.

**Evidence:** The DMAS accounts for all debt collection activity that is processed through the Treasury Offset and Cross-Servicing programs. The DMAS meets statutory requirements for financial management systems, and has procedures in place to ensure proper accounting procedures are followed. Financial information is reported in a timely and accurate manner. The DMAS has no material weaknesses as part of the Treasury Managed Account audit and received a clean audit opinion the past two fiscal years. FMS also uses an Activity-Based-Costing method to track costs.

**3.7 Has the program taken meaningful steps to address its management deficiencies?** Answer: YES Question Weight:14%

**Explanation:** FMS has taken steps to address its management deficiencies. In 1997, FMS shifted its strategic focus on debt collection to prioritize implementation of certain provisions of the DCIA, and to focus on program achievement. FMS also has an integrated evaluation, planning, and budgeting process to ensure ongoing feedback and improvement.

**Evidence:** FMS' Management Controls Branch conducts internal control reviews of the Debt Collection Program as required by the FMFIA and FMS' Five-Year Management Control Plan. FMS has received recognition, awards, and leadership praise from the Department for its debt collection efforts.

**4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals?** Answer: SMALL EXTENT Question Weight:20%

**Explanation:** Although FMS exceeded its debt collection performance targets for FY's 2002 and 2003 and has established ambitious annual performance goals and targets, it has not established a long-term performance measure that is ambitious and does not provide a schedule of annual performance targets beyond FY 2005.

**Evidence:** Appendix A of the FMS Strategic Plan (FY 2003 - FY 2008). The Programs' long-term strategic goal is to "maximize collection of Government delinquent debt by providing efficient and effective centralized debt collection services." The long-term performance measure is to collect \$3.5 billion annually from delinquent debt referrals by 2010.

## PART Performance Measurements

**Program:** Debt Collection  
**Agency:** Department of the Treasury  
**Bureau:** Financial Management Service (FMS)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	88%	100%	87%	

**4.2 Does the program (including program partners) achieve its annual performance goals?**      Answer: YES      Question Weight 20%

**Explanation:** FMS exceeded all of its performance goals for debt collection, as set out in Treasury's FY 2002 and FY 2003 performance reports.

**Evidence:** During FY 2002, in support of the goal to Maximize collection of Government delinquent debt by providing efficient and effective centralized debt collection services, FMS' performance exceeded the established targets: 1) Amount of delinquent debt collected through all available tools -- target: \$2.6 billions; performance: \$2.84 billion. 2) Percentage of delinquent debt referred to FMS for collection compared to amount eligible for referral -- target: 75 percent; performance: 93 percent. Source: Treasury's FY 2002 Annual Performance Report and FMS' FY 2004 Congressional Justification.

**4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?**      Answer: YES      Question Weight 20%

**Explanation:** The amount of debt collected has increased since the Debt Collection Improvement Act of 1996, which gave FMS the authority to centrally collect debt over 180 days delinquent. The Program is robust enough to allow modifications, required within very short timeframes, which positions FMS to increase collections by offsetting payments that have been authorized by legislation, such as the Tax Rebate Program, in 2001. FMS collected over \$460 million in offsets of the tax relief checks. Further, the original Treasury Offset Program was modified subsequent to a statutory requirement - the Taxpayer Relief Act of 1997.

**Evidence:** The FMS FY 2004 Congressional Justification demonstrates the increasing amount of collections and the decreasing level of cost. Since FMS was given the responsibility for collecting delinquent debt, it has collected \$17 billion (through April 2003) and of that amount, \$4.8 billion were collected from debts that were not otherwise being collected by the Federal Government. For every dollar spent on the Debt Collection Program, FMS collected approximately \$51. Because of Program efficiencies and cost effectiveness, FMS has been successful in expanding the Program without an increase in Program fees over the last two years.

**4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?**      Answer: YES      Question Weight 20%

**Explanation:** Since passage of the DCIA in 1996, FMS has greatly improved Governmentwide collections of delinquent debt, particularly in the child support arena. FMS' use of Private Collection Agencies (PCAs) to assist in the collection of debt through its Cross-Servicing program has been a huge success, and continues to excel. FMS is the "collection agency" of last resort for delinquent Federal debt; 75 percent of the debt referred is over two years old, while approximately 10 percent is less than a year old. The older the debt, the less collectible it becomes. Since most PCAs deal with debt that is much more current [less than one year], it is not possible to make a comparable comparison to similar debt collection programs, on an aggregate basis. However, as we compare elements of the Program to that of other Federal Program agencies, the FMS performance is far better.

**Evidence:** The FMS FY 2004 Congressional Justification demonstrates the increasing amounts of collection and the decreasing levels of cost. Overall, the collection rate for the Debt Collection Program is approximately 2.4 percent of the delinquent debt referred. This compares favorably to PCAs although most of the debt referred to FMS is aged at 2 years or more. Since FMS was given the responsibility for collecting delinquent debt, it has collected \$17 billion (through April 2003) and of that amount \$4.8 billion were collected from debts that were not otherwise being collected by the Federal Government. The results have been increased efficiency and the doubling of collections annually. The Tax Refund Offset (TRO) Program has significantly increased collections each year, since the transfer to FMS in 1997. Collections currently exceeds \$2.6 billion each year which is \$900 million over the 1997 level. Both the United Kingdom and an Australian state government have been looking at FMS as a benchmark model for their countries' centralized Debt Collection Program.



## PART Performance Measurements

**Program:** Debt Collection  
**Agency:** Department of the Treasury  
**Bureau:** Financial Management Service (FMS)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	88%	100%	87%	

**4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?**      Answer: YES      Question Weight 20%

**Explanation:** FMS' Debt Collection program has had several GAO reviews as well as independent studies of the Tax Levy. While these reviews have identified some deficiencies and improvement opportunities, overall they validate the effectiveness of the Debt Collection Program. FMS has expanded, strengthened and improved the Debt Collection Program over the last three years by setting priorities and then accomplishing them.

**Evidence:** Based on an independent analysis by Price Waterhouse in 1998, it was shown that FMS collected \$600 million more than the IRS through Tax Refund Offset. In recent Congressional Hearings, FMS has been recognized for its outstanding work implementing the Debt Collection Improvement Act of 1996 (DCIA). FMS has continued to exceed its performance targets for referrals and collections.

## PART Performance Measurements

**Program:** Debt Collection  
**Agency:** Department of the Treasury  
**Bureau:** Financial Management Service (FMS)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	88%	100%	87%	

**Measure:** By 2010, there will be \$3.5 billion collected annually from delinquent debt referrals.

**Additional Information:** This measure is set for the year 2010.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2001	\$2.3 billion	\$2.7 billion	
2002	\$2.6 billion	\$2.84 billion	
2003	\$2.8 billion	\$3.10 billion	
2004	\$2.9 billion		

**Measure:** Amount of delinquent debt collected through all available tools.

**Additional Information:** This measure determines the amount of delinquent debt collected by FMS using all available tools.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2001	\$2.3 billion	\$2.7 billion	
2002	\$2.6 billion	\$2.84 billion	
2003	\$2.8 billion	\$3.10 billion	
2004	\$2.9 billion		
2005	\$3.0 billion		

**Measure:** Percentage of delinquent debt referred to FMS for collection compared to amount eligible for referral.

**Additional Information:** This measure compares the amount of delinquent debt referred to FMS for collection to the amount eligible for referral.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual (Efficiency Measure)
2001	75%	89%	

## PART Performance Measurements

**Program:** Debt Collection  
**Agency:** Department of the Treasury  
**Bureau:** Financial Management Service (FMS)  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	88%	100%	87%	

2002	75%	93%
2003	85%	92%
2004	90%	
2005	92%	

**Measure:** Percentage increase in amount of debt collected for every dollar of debt collection program cost, compared to the FY 2002 baseline of \$52.53.

**Additional Information:** This measure analyzes the amount of debt collected for every dollar of debt collection program cost, compared to the FY 2002 baseline of \$52.53.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2004	7%		
2005	10%		

## OMB Program Assessment Rating Tool (PART)

### *Direct Federal Programs*

**Name of Program: Earned Income Tax Credit (EITC) Compliance**

Section I: Program Purpose & Design (Yes, No, N/A)						
	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1	<i>Is the program purpose clear?</i>	Yes	The EITC Compliance Initiative was authorized in 1997 to reduce high rates of error in EITC payments.	In P.L. 105-33 the Congress authorized an EITC compliance appropriation for expanded customer service and public outreach programs, strengthened enforcement activities, and enhanced research efforts to reduce EITC overclaims and erroneous filings associated with the EITC.	20%	0.2
2	<i>Does the program address a specific interest, problem or need?</i>	Yes	The Initiative was authorized in response the evidence of high rates of error in EITC payments. The latest data shows that error rates remain unacceptably high. Of the \$31 billion in EITC claimed by taxpayers for TY 1999, IRS estimates that, even after its enforcement efforts, \$8.5 to \$9.9 billion (27 to 32 percent) was paid to ineligible taxpayers.	These estimates are from IRS's tax year 1999 compliance study published in February 2002.	20%	0.2
3	<i>Is the program designed to have a significant impact in addressing the interest, problem or need?</i>	Yes	The EITC program seeks to educate taxpayers and prevent or recover erroneous payments.		20%	0.2
4	<i>Is the program designed to make a unique contribution in addressing the interest, problem or need (i.e., not needlessly redundant of any other Federal, state, local or private efforts)?</i>	Yes	As noted above, IRS is the only entity enforcing EITC compliance.		20%	0.2

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
5	<i>Is the program optimally designed to address the interest, problem or need?</i>	Yes	There is no conclusive evidence that an alternative design would be more efficient/effective. However, Treasury is studying alternative program designs that might reduce high EITC error rates.	With the release of the Tax Year 1999 EITC Compliance Study in February 2002, showing a high rate of noncompliance, the IRS and Treasury established a joint task force to thoroughly examine the complexity and compliance issues identified. The task force was directed to recommend options for improving compliance without adversely impacting participation.	20%	0.2
<b>Total Section Score</b>					<b>100%</b>	<b>100%</b>

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
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**Section II: Strategic Planning (Yes,No, N/A)**

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 <i>Does the program have a limited number of specific, ambitious long-term performance goals that focus on outcomes and meaningfully reflect the purpose of the program?</i>	No	While IRS has measured EITC compliance in the past, they have not set goals for improvements. In 1997, Treasury did set an EITC goal of \$5 billion in revenue protected/collected over ten years. However, this goal was not ambitious and has not been repeated in documents since 1997.	IRS plans to set goals for overall tax compliance once its National Research Program has developed baselines for filing compliance, payment compliance and reporting compliance. Treasury's \$5 billion goal was set in an August 15, 1997 letter from Secretary Rubin to Speaker Gingrich.	20%	0.0
2 <i>Does the program have a limited number of annual performance goals that demonstrate progress toward achieving the long-term goals?</i>	Yes	Starting in FY 2002, IRS's internal performance plan began including several measures of EITC outputs and quality. These are used to manage the program and understand the level of effort put towards enforcement.	EITC measures include number of returns examined, case quality (not EITC specific), cycle time, and closures per FTE (staff year).	20%	0.2
3 <i>Do all partners (grantees, sub-grantees, contractors, etc.) support program planning efforts by committing to the annual and/or long-term goals of the program?</i>	N/A	IRS does not work with partners to enforce EITC compliance.		0%	
4 <i>Does the program collaborate and coordinate effectively with related programs that share similar goals and objectives?</i>	N/A	IRS is the only entity enforcing EITC compliance.		0%	

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
5	<i>Are independent and quality evaluations of sufficient scope conducted on a regular basis or as needed to fill gaps in performance information to support program improvements and evaluate effectiveness?</i>	Yes	IRS conducted three studies of EITC compliance in the 1990s. In addition, GAO and the Tax IG periodically publish audits of either the EITC program or IRS functions involved in EITC compliance.	IRS' most recent study of tax year 1999 returns was published in February 2002. IRS plans to measure EITC compliance as part of its National Research Program (overall compliance measurement) on a three year cycle.	20%	0.2
6	<i>Is the program budget aligned with the program goals in such a way that the impact of funding, policy, and legislative changes on performance is readily known?</i>	Yes	IRS has a separate appropriation for EITC and can project changes in outputs based on funding changes. However, IRS's current financial system cannot accurately determine costs per activity. Instead, IRS managers link outcomes to FTE levels. IRS is in the process of modernizing its financial systems.	IRS's internal performance plans link funding to EITC program outputs.	20%	0.2
7	<i>Has the program taken meaningful steps to address its strategic planning deficiencies?</i>	No	IRS has a robust planning and budgeting process. In addition, Treasury has initiated a high level task force to explore options for improving EITC compliance. However, IRS has not yet developed long term performance goals for EITC.		20%	0.0
<b>Total Section Score</b>					<b>100%</b>	<b>60%</b>

	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
<b>Section III: Program Management (Yes,No, N/A)</b>						
	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1	<i>Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?</i>	Yes	IRS has periodically studied EITC compliance and plans to include EITC compliance in its new overall compliance measurement effort. IRS also captures a variety of output statistics on this program and has used this data to improve program management. However, past compliance studies have been completed several years after the end of the tax year studied. This has limited their usefulness.	IRS used non-compliance data to identify paid preparers as a significant source of erroneous returns. IRS then crafted an initiative to educate preparers and, where necessary, enforce due diligence requirements. Treasury used compliance data to develop legislative changes to simplify EITC rules and reduce unintentional erroneous filings.	16%	0.2
2	<i>Are Federal managers and program partners (grantees, subgrantees, contractors, etc.) held accountable for cost, schedule and performance results?</i>	Yes	IRS has linked its personnel evaluations to its goals and measures. However, individuals are not evaluated on quantitative goals, but on qualitative factors helping IRS reach its goals. Note: IRS is prohibited by law from evaluating any employee on "measures of enforcement results."	IRS managers are evaluated based on achieving "commitments" outlined in their individual plans. These commitments are actions designed to move the bureau towards its goals.	16%	0.2
3	<i>Are all funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?</i>	Yes	In the past, IRS has had trouble obligating the full balance of this appropriation by the end of the fiscal year. However, in FY 2001 their lapse was in line with reasonable levels for salaries and expenses accounts.	In FY 2001, IRS lapsed about 1.5% of the EITC appropriation. In FY 1999, IRS lapsed roughly 5.5%.	7%	0.1
4	<i>Does the program have incentives and procedures (e.g., competitive sourcing/cost comparisons, IT improvements) to measure and achieve efficiencies and cost effectiveness in program execution?</i>	Yes	IRS's internal performance plan includes efficiency and timeliness measures for EITC examinations. These are used by managers to maximize efficiency.	IRS uses "closures per FTE" and cycle time to measure EITC efficiency. However, IRS's use of productivity measures is limited because IRS is prohibited by law from evaluating any employee based on "measures of enforcement results."	16%	0.2



	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
5	<i>Does the agency estimate and budget for the full annual costs of operating the program (including all administrative costs and allocated overhead) so that program performance changes are identified with changes in funding levels?</i>	No	Reviewers cannot determine the full cost of the EITC program from IRS's annual Congressional Justification because not all EITC costs are captured in the EITC appropriation.	IRS makes an effort to capture costs of the EITC program in the EITC appropriation. However, program managers face serious challenges due to weaknesses in IRS financial management systems (e.g., no cost accounting). For example, EITC rental costs are paid from IRS's Processing Assistance and Management appropriation.	16%	0.0
6	<i>Does the program use strong financial management practices?</i>	No	EITC has a serious erroneous payments problem. In addition, IRS has a number of ongoing financial management weaknesses which effect EITC as well as other programs.	Of the \$31 billion in EITC claimed by taxpayers for TY 1999, IRS estimates that, even after its enforcement efforts, \$8.5 to \$9.9 billion (27 to 32 percent) was paid to ineligible taxpayers.	16%	0.0
7	<i>Has the program taken meaningful steps to address its management deficiencies?</i>	Yes	In response to high rates of EITC non-compliance, the Secretary has formed a high level task force to recommend solutions. In addition, IRS has a robust internal planning, budgeting and performance management process.	As noted, Treasury is currently studying efforts to improve the EITC compliance program. In the past the Department has recommended legislative changes to ease administration and explored different tactics to improve performance (e.g., targeting education efforts on paid preparers).	16%	0.2
<b>Total Section Score</b>					<b>100%</b>	<b>69%</b>

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
<b>Section IV: Program Results (Yes, Large Extent, Small Extent, No)</b>					

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
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1	<i>Has the program demonstrated adequate progress in achieving its long-term outcome goal(s)?</i>	No	The latest data (tax year 1999) shows no progress on reducing erroneous payments and IRS has set no long-term goal for this program. However, while erroneous EITC payments remain unacceptably high, there is evidence that they would be higher without the compliance program.	Without IRS compliance efforts (revenue protected below), an additional 4% of EITC payments would have been made erroneously.	30%	0.0
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Long-Term Goal I:	"Service to all Taxpayers" including "Increase fairness of compliance" and "Increase overall compliance"				
Target:	None				
Actual Progress achieved toward goal:	Tax Year 1999: 27 to 32 percent of dollars were paid erroneously		Tax Year 1997: 24 to 26 percent of dollars were paid erroneously		
Long-Term Goal II:	"Service to all Taxpayers" including "Increase fairness of compliance" and "Increase overall compliance"				
Target:	None				
Actual Progress achieved toward goal:	FY 2001: Revenue protected by the EITC compliance program was \$1,169 million				
Long-Term Goal III:					
Target:					
Actual Progress achieved toward goal:					

2	<i>Does the program (including program partners) achieve its annual performance goals?</i>	No	IRS projects that it will fall short in two of its three FY 2002 EITC specific performance goals set in its internal performance plan.	FY 2002 is the first year where IRS has set specific performance goals for EITC. Before 02, EITC performance was captured as part of the overall IRS performance plan.	20%	0.0
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Key Goal I:	"Service to all Taxpayers" including "Increase fairness of compliance" and "Increase overall compliance"				
Performance Target:	Examine 413, 331 EITC returns through correspondence in FY 2002				
Actual Performance:	437,799 returns examined				
Key Goal II:	"Service to all Taxpayers" including "Increase fairness of compliance" and "Increase overall compliance"				
Performance Target:	EITC Correspondence Exam Cycle Time: 240 Days in FY 2002				
Actual Performance:	250 Days (PROJECTED 9/02)				
Key Goal III:	"Service to all Taxpayers" including "Increase fairness of compliance" and "Increase overall compliance"				
Performance Target:	EITC Correspondence returns closed per FTE: 167 in FY 2002				
Actual Performance:	224 per FTE (PROJECTED 9/02)				

Footnote: Performance targets should reference the performance baseline and years, e.g. achieve a 5% increase over base of X in 2000.

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
3	<i>Does the program demonstrate improved efficiencies and cost effectiveness in achieving program goals each year?</i>	No	IRS measures EITC productivity through cases closed per FTE. Cases close have trended down over the past three years.	Cases closed per FTE: 2000 = 249, 2001 = 315, 2002 = 224 (2002 target = 167)	20%	0.0
4	<i>Does the performance of this program compare favorably to other programs with similar purpose and goals?</i>	N/A	IRS is the only Federal entity enforcing EITC compliance.		0%	
5	<i>Do independent and quality evaluations of this program indicate that the program is effective and achieving results?</i>	small extent	The latest data (tax year 1999) shows no progress on reducing erroneous payments. However, without IRS compliance efforts an additional \$1.169 million (or 4% of EITC payments) would have been made erroneously.	Of the \$31 billion in EITC claimed by taxpayers for TY 1999, IRS estimates that, even after its enforcement efforts, \$8.5 to \$9.9 billion (27 to 32 percent) was paid to ineligible taxpayers. The previous study, for TY 1997, estimated that \$7.2 to \$7.8 billion (24 to 26 percent) of EITC claims should not have been paid.	30%	0.1
<b>Total Section Score</b>					<b>100%</b>	<b>10%</b>

## PART Performance Measurements

**Program:** Financial Management Service (FMS): FMS Collections  
**Agency:** Department of the Treasury  
**Bureau:** Financial Management Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	88%	100%	87%	

**1.1 Is the program purpose clear?**

Answer: YES

Question Weight 20%

**Explanation:** The purpose of the Financial Management Service's (FMS) Collection Program is to provide a central, governmentwide service to all Federal agencies to collect, deposit, and account for Federal revenue. It provides a means for individuals and organizations, including citizens, businesses, state and local governments, nonprofits, foreign governments and individuals, and other entities, to remit funds to the Government.

**Evidence:** This program has existed since the formation of the Government, and its mission has remained unchanged for over 200 years. Its activities are authorized in the Constitution. Article I, Section 8, authorizes Congress to "collect taxes, duties, imposts, and excises," and Article I, Section 9, requires an "account of receipts...of public money."

**1.2 Does the program address a specific and existing problem, interest or need?**

Answer: YES

Question Weight 20%

**Explanation:** The Collections Program addresses the fundamental governmental functions of revenue collection and management of public money. It supports every other Federal program that requires or authorizes the collection of taxes, duties, fees, fines, sales, leases, loan repayments, donations, and other types of revenue.

**Evidence:** The Government could not function without a Collections Program. Every Federal entity that must deposit funds into the U.S. Treasury, including the General Fund, trust funds, and other funds, participates in the program. In FY 2003, the Collections Program processed \$2.3 trillion on behalf of Federal agencies.

**1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?**

Answer: YES

Question Weight 20%

**Explanation:** The Collections Program is a centralized, consolidated governmentwide service with one national infrastructure operated by a network of commercial financial institutions and Federal Reserve Banks designated by FMS. By statute, no other Federal program or activity may duplicate its functions in handling public money. No other level of government, state or local, is authorized or capable of executing its functions for the U.S. Treasury and Federal agencies.

**Evidence:** All Federal Government revenue from all sources is deposited in accounts maintained by FMS and flows through collection systems that comprise the Collections Program. All student loan repayments collected by the Department of Education, to take just one example, flow through FMS's collection banks, and the FMS Cash-Link system concentrates such collections from the banks into the main Treasury account. All officials and agents of the Federal Government must deposit money in accordance with the Collections Program (See e.g., 31 USC § 3301(a), 31 USC 3302 (b) and (c)(1)). Only FMS has authority to designate the financial and fiscal agents of the Treasury which can receive and hold public money (See e.g., 31 USC § 3303 and 12 USC § 391).

## PART Performance Measurements

**Program:** Financial Management Service (FMS): FMS Collections  
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**1.4**      **Is the program design free of major flaws that would limit the program's effectiveness or efficiency?**      Answer: YES      Question Weight 20%

**Explanation:** The Collections Program is a world class service that has evolved over many decades. It leverages the commercial banking system, through a network of 400 primary financial institutions, and 10,000 Treasury Tax and Loan depositories, acting as financial agents of the United States, and the Federal Reserve System, through all 12 Federal Reserve Banks acting as fiscal agents of the United States. Through these instrumentalities, it continually makes available to Federal agencies state-of-the-art financial technology and services to support their programs. The FMS systems that support the services, such as the CA\$H-LINK II deposit reporting and cash concentration system, and the Electronic Federal Tax Payment System (EFTPS), are recognized by banks and other national governments as the best in the world.

**Evidence:** The design of the program is sufficiently robust and flexible to allow it to support every Federal agency and program that collects revenue. It supports a revenue flow that averages over \$9 billion every business day. To date, the program has never lost funds on deposit anywhere in the world, or in-transit from depositories to the Treasury. The historical efficiency and effectiveness of the program are such that in FY 2004 the Administration sought and Congress granted a permanent and indefinite appropriation to compensate financial institutions that provide services under the program. McKinsey & Co. has done two reports in the last two years, one on the FMS Enterprise Architecture and the other on the Treasury Tax and Loan program, both of which validate the effectiveness of the overall Collections Program as well as the technical architecture that FMS has devised to ensure efficiency in the future.

**1.5**      **Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?**      Answer: YES      Question Weight 20%

**Explanation:** Due to the scale and scope of the global governmental activities that the Collections Program supports, its design is driven by the need to allow any person or business to deliver a payment to any Federal agency. The Collections Program supports every receipt channel, including mail, phone and voice response, Internet, over-the-counter, and bank networks, as well as every tender mechanism, including cash, check, credit card, debit card, wire transfer, and electronic funds transfers (EFT) through the automated clearinghouse (ACH). The program also has systems to process all related remittance information, including tax forms, and deliver it to the responsible Federal agency.

**Evidence:** In FY 2003, the Collections Program processed all Federal revenue under all Federal programs, totaling \$2.3 trillion. The program includes a group of mechanisms to support IRS tax collections, including IRS lockboxes, Federal Tax Deposit (FTD) coupons, the Electronic Federal Tax Payment System, and IRS Treasury General Accounts (TGAs), and a set of products to support all other agencies in the general government, including among others lockboxes, TGAs, the Fedwire Deposit System, the Plastic Card Network, Pay.gov, and a variety of EFT credit and debit systems. Through this suite of products, the program allows all individuals and organizations, regardless of location or means, to transact with any Federal agency. FMS staff who administer the Collections Program meet daily with Federal agency finance offices to ensure proper support for the collection needs of every Federal program.

## PART Performance Measurements

**Program:** Financial Management Service (FMS): FMS Collections  
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**2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?**      Answer: YES      Question Weight: 13%

**Explanation:** The strategic goal of the Collections Program is to process Government receipts through an "all-electronic Treasury." Two long-term performance measures have been established to evaluate this goal: (1) the percentage of dollars collected electronically (outcome), and (2) the percentage of revenue transactions executed electronically (output). These performance measures also embody our tactical efforts to reduce errors and exceptions in deposits, since the single most important factor in reducing errors and exceptions is to move from paper to electronic collections.

**Evidence:** Goal #2 of the FMS Strategic Plan states that the Collections Program must "provide for the timely collection of Federal Government receipts, at the lowest cost, through an all-electronic Treasury." Appendix A of the Strategic Plan includes the two long-term performance measures. In addition, the Strategic Plan includes underlying objectives, strategies, and action plans for meeting the Goal and the performance targets. The "percentage of dollars collected electronically" outcome measure best captures the critical need for the more efficient and effective electronic systems of collection.

**2.2 Does the program have ambitious targets and timeframes for its long-term measures?**      Answer: YES      Question Weight: 13%

**Explanation:** The targets that FMS has set for the Collections Program are that 90 percent of the dollar amount of all Federal collections will be made electronically, and 60 percent of all Federal collection transactions will be made electronically, by 2010. These ambitious targets are accompanied by appropriate timeframes.

**Evidence:** In FY 2003, 80 percent of the dollars and 36 percent of the transactions were processed electronically. The long-term targets aim to cut the dollar amount of paper collections by 50 percent, and to cut the number of transactions executed via paper by 38 percent, over the next 6 years. These targets are ambitious because they entail changing the financial habits of over 6 million small businesses and even more individuals who prefer to make payments via checks or cash and who resist government initiatives or requirements to use more efficient mechanisms. (See the FY 2003 Performance and Accountability Report.)

**2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?**      Answer: YES      Question Weight: 13%

**Explanation:** The Collections Program has two annual performance measures that tie directly to the long-term goals: (1) the percentage of dollars collected electronically for the fiscal year, and (2) the amount of revenue processed through Pay.gov, FMS's Internet collection portal. The first annual measure mirrors the long-term measure, and the second annual measure serves as a proxy for determining the amount of currency and check collections that have been displaced by Internet transactions. In addition, the Collections Program also includes annual performance measures on the cost of the Electronic Federal Tax Payment System, the largest component of the Collections Program, and on the satisfaction of Federal agency customers.

**Evidence:** FMS's Congressional Budget Justification has included the annual performance measure on the percentage of dollars collected electronically since FY 1996. The performance measures on Pay.gov collections and customer satisfaction were introduced in the FY 2002 and FY 2005 justifications, respectively. The FY 2006 justification will include these three measures and a new performance measure on the overall cost effectiveness/efficiency of the Collections Program (which will replace the more limited cost measure for EFTPS).

## PART Performance Measurements

**Program:** Financial Management Service (FMS): FMS Collections  
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**Type(s):** Direct Federal

Section Scores				Rating
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**2.4 Does the program have baselines and ambitious targets for its annual measures?** Answer: YES Question Weight: 13%

**Explanation:** Each year, FMS baselines its performance against the annual targets and sets new target amounts for the upcoming fiscal year. For FY 2004, the FMS target is that 81 percent of the dollar amount of Federal collections will be processed electronically, and that \$10 billion will be collected through Pay.gov.

**Evidence:** In FY 2003, 80 percent of the dollar amount of Federal collections was made electronically. This 1 percent target increase for FY 2004, which represents approximately an additional \$22 billion per year, keeps FMS on pace for its goal of reducing the dollar amount of paper collections by 50 percent by 2010. In FY 2003, Pay.gov processed \$3.8 billion. The \$10 billion target for FY 2004 more than doubles this amount. The FY 2005 FMS Congressional Budget Justification links actual performance to performance targets.

**2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?** Answer: NO Question Weight: 13%

**Explanation:** FMS must develop stronger policies and techniques to convince its customer Federal agencies, as well as some of its agent commercial banks, to eliminate paper-based collections, while respecting the rights of citizens and businesses to tender payment to the government in a variety of ways. There is sensitivity to requiring and/or offering incentives to citizens and businesses to pay the Government electronically and there are also legal and structural impediments that prevent partners from working toward the annual and long-term goals that need to be overcome.

**Evidence:** In the case of FMS's customer Federal agencies, some view the issue of paper vs. electronic collections as outside their responsibilities, and some have vested interests in maintaining the staff that help process paper collections. In the case of FMS's agent commercial banks, some can generate more revenue for processing paper transactions than electronic transactions, for a variety of reasons. In the case of Federal Tax Deposits, commercial banks may charge customers for making electronic payments to the Government, but regulation prohibits them from charging for paper payments (31 CFR 203), and Federal statutes and regulations provide that small businesses have the right to pay taxes via paper coupon. (See e.g., 26 USC § 6302; 64 Fed. Reg. 37675; 26 CFR § 31.6302-1(h)).

## PART Performance Measurements

**Program:** Financial Management Service (FMS): FMS Collections  
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Section Scores				Rating
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**2.6**      **Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?**      Answer: YES      Question Weight: 13%

**Explanation:** Numerous independent evaluations are conducted each year. The Treasury OIG and GAO conduct audits annually of major aspects of the Collections Program. In addition, the annual audit of FMS's financial statements includes an audit of the financial results of the governmentwide Collections Program (the so-called "Cash Audit"). Moreover, FMS requires the banks that administer its largest systems, including EFTPS, lockboxes, and the Plastic Card Network, to engage independent public accounting firms to assess their activities as financial agents of the United States. The systems administered by these particular banks process over 85% of the funds in the Collections Program. Finally, since 2002 Federal Reserve audit staff has been engaged to conduct full life cycle audits on all new collections systems managed by Federal Reserve Banks. These Federal Reserve audits are conducted full time, side by side with program staff, with monthly reports on any potential business, technical, legal, or financial risks.

**Evidence:** Collections Program activities are continually subject to audits by the Treasury OIG, GAO, Federal Reserve audit staff, and independent public accounting firms. In 2003, moreover, FMS conducted various "as needed" evaluations, including one by the Mitre Corporation and McKinsey & Co. of the entire program's architecture and that of its single largest component, the Electronic Federal Tax Payment System. Another analysis completed in 2003 was conducted by Northrup Grumman on the continuity plans for the FMS lockboxes that support IRS check collections. While some reviews have identified deficiencies in computer security, all reviews validate that the program is accomplishing its mission effectively and processes all Federal revenue timely and accurately.

**2.7**      **Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?**      Answer: YES      Question Weight: 13%

**Explanation:** FMS's budget is fully aligned with its program activities, including the Collections Program, and is directly tied to the purposes and strategic goals of the programs. The budget request includes amounts associated with the direct Federal FTE that support the program. Banking costs of the Collections Program are reported under FMS's permanent and indefinite appropriations to pay for financial and fiscal agent banks.

**Evidence:** FMS's annual budget requests clearly indicate the full cost of achieving all performance goals. (See FMS's FY 2005 Congressional Budget Justification.) FMS can assess the year-over-year marginal costs of its major performance indicators ' the percentage of collection dollars and collection transactions processed electronically ' through its agency-wide activity based cost allocations for electronic and non-electronic collection activities, as well as for tax and non-tax collection activities. This data and other information is used as part of the budget deliberation process to project future strategic goals, performance measures, and targets.



## PART Performance Measurements

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**2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies?** Answer: YES Question Weight:13%

**Explanation:** The substantive strategic planning deficiency of the Collections Program, regarding partner commitment to the strategic program goals, is identified in Question 2.5 above. Upon renewal or rebidding of banking arrangements that support the Collections Program, a review is done to determine how to align the interests of banks, agencies, and remitters with the strategic goals of the program. In addition, the program's largest component, the Electronic Federal Tax Payment System, has a number of current initiatives to increase usage by the 6 million businesses, as well as the 10 million individuals submitting estimated filings, that continue to pay Federal taxes via paper.

**Evidence:** In 2003 and 2004, examples of steps taken to align the interests of FMS partners with Collections Program goals include: (1) rebidding of the General Lockbox collection network with a new structure that eliminates disincentives to electronic collections, (2) review of the Plastic Card collection network by an independent consultant prior to rebidding the service, and (3) hiring a commercial research and marketing firm to conduct qualitative and quantitative studies on businesses that remit tax payments via paper.

**3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?** Answer: YES Question Weight:14%

**Explanation:** Performance information directly related to the key annual and long-term performance measures is collected on a daily, monthly, and quarterly basis, using a consistent methodology. The data is analyzed, reconciled, and distributed to program and senior management on a quarterly and annual basis to track the performance measures and set future metrics. For FY 2005, FMS is also implementing a customer satisfaction survey for its collections customers

**Evidence:** Commercial banks supporting the Collections Program report deposit information by collection system and settlement mechanism daily, and report overall account activity and submit account analysis statements of all transactions and costs monthly. Federal Reserve Banks report deposit information daily and report costs quarterly. The Collections Program staff produces the Total Collections Report on all transactions, by type and cost, on a quarterly and annual basis, using information provided by the agent banks and reconciled against information provided by key Federal agencies including IRS. In FY 2004, FMS deployed the new CA\$H-LINK II deposit reporting system to automate the submission and validation of the monthly commercial bank reports. This system is also used to produce ad hoc collection activity reports for each Federal agency, from which agency specific collections strategies are developed in accordance with the performance measures. In FY 2002, FMS produced the governmentwide Collections Study to definitively baseline all Federal revenue programs.

## PART Performance Measurements

**Program:** Financial Management Service (FMS): FMS Collections  
**Agency:** Department of the Treasury  
**Bureau:** Financial Management Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	88%	100%	87%	

**3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?** Answer: YES Question Weight:14%

**Explanation:** FMS managers are held directly accountable for all program results. Commercial banks that support the program operate under service level agreements, with financial penalties, tied to performance standards.

**Evidence:** The specific annual performance and schedule targets for the Collections Program are included in the annual performance plans of FMS managers. Agreements with all commercial banks hold them financially liable for the timeliness, accuracy, and availability of deposits and related accounting information. In addition, the commercial banks that process checks (and tax forms) through the IRS lockboxes are held financially accountable through special performance measures on capacity and accuracy that apply during the March/April/May tax surge. The new agreement with the financial agent bank supporting EFTPS, the largest component of the collections program, includes incentive awards for eliminating paper transactions and penalties if electronic transactions miss volume targets.

**3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?** Answer: YES Question Weight:14%

**Explanation:** The Collections Program is funded through permanent and indefinite appropriations for banking costs, as well as an annual salaries and expenses account. The annual salaries and expenses account funds the staffing costs for the program and follows a predictable spending pattern largely driven by payroll costs. The permanent and indefinite appropriations are used only to pay financial agent commercial banks and fiscal agent Federal Reserve Banks that support the program. Through FY 2003, the commercial banks were paid via compensating balances of public money, and were switched to payments from a permanent and indefinite appropriation beginning in April 2004. The Federal Reserve Banks have been paid via a permanent and indefinite appropriation since FY 1998. The timing of obligations for banking costs is not germane given the permanent nature of the source of funds.

**Evidence:** Use of the permanent and indefinite appropriations (as well as the compensating balances) is restricted to paying only financial and fiscal agents, which in turn are restricted in role to providing only services related to deposits of public money, guaranteeing that all program funds are used only for the intended purpose. (See 12 USC §§ 391a and 5018 Note, Pub. Law No. 108-199, Div. F, Title II, § 218.) Compensation to financial agents is based only on services rendered for the actual revenue collected and deposited into the Treasury.

**3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?** Answer: YES Question Weight:14%

**Explanation:** The Collections Program uses a variety of procedures to promote efficiency and effectiveness, including competitive selection of financial agent banks, incentive payments for enabling electronic collections, and special bank designations to foster the use of emerging technology. In addition, the Collections Program is subject to a new IT architecture to regulate investment and program decisions.

**Evidence:** Governmentwide collections systems, as well as the major collection systems designed for IRS, are competitively sourced to financial agent banks. Financial agent banks are compensated with incentive payments for enabling agency collections cash flows on the Pay.gov Internet collection system. The FMS Collections Architecture was documented in FY 2003 and includes an end-state IT system architecture with which all systems development must comply, as well as a rigorous governance process for new IT investments by FMS and its agent banks. All FMS collections systems have full certification and accreditation and comply with the most up to date FISMA guidance.

## PART Performance Measurements

**Program:** Financial Management Service (FMS): FMS Collections  
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1	2	3	4	Effective
100%	88%	100%	87%	

**3.5 Does the program collaborate and coordinate effectively with related programs?** Answer: YES      Question Weight:14%

**Explanation:** The Collections Program supports every Federal agency and program in revenue collection. FMS enters into "participation agreements" with all Federal agencies to document coordination across programs, including cost and resource sharing. It requires collaboration at the program, technical, and management levels across the Government. It employs a variety of mechanisms to foster coordination, including joint planning, interagency agreements, direct technical integration, cost sharing, joint conferences and workshops, and joint marketing efforts. In addition, the Collections Program is directly integrated with FMS's Governmentwide Accounting (GWA) Program.

**Evidence:** Customer Federal agencies participate in the requirements documentation and selection panels of competitive bank designations. The Collections Program staff has liaisons to all major agencies to design and implement joint accounting, reporting, and operating procedures. With the IRS, (the largest Collections customer) FMS maintains joint executive management committees to set policy and allocate resources. Other large customers such, as the Bureau of Citizenship and Immigration Services, assign employees to work at FMS collections facilities to share operational responsibilities. Within FMS, the Collections Program coordinates with the GWA Program to provide receipts data for the Daily Treasury Statement, the Monthly Treasury Statement, and the Annual Financial Report of the US. This internal and external collaboration with related programs helps ensure that customers adopt the most efficient collection mechanisms, that costs are contained, and that the Collections Program produces more timely and useful electronic information.

**3.6 Does the program use strong financial management practices?** Answer: YES      Question Weight:14%

**Explanation:** FMS has no material weaknesses from audits of its Collections Program. All systems meet statutory requirements on financial management and provide financial information timely and accurately to FMS and agencies governmentwide.

**Evidence:** FMS has consistently received a clean audit opinion on its schedules of non-entity governmentwide cash (FY 2002 through 2003), which includes funds processed for agencies under the Collections Program. FMS's Program Integrity Division conducts internal reviews of the Collections Program as required by FMFIA and FMS's Five Year Management Control Program. In FY 2004 Congress authorized a permanent and indefinite appropriation for banking costs associated with the Collections Program, demonstrating that it meets the highest governmental standards for control and administration of program funds.

**3.7 Has the program taken meaningful steps to address its management deficiencies?** Answer: YES      Question Weight:14%

**Explanation:** FMS aggressively identifies and corrects deficiencies in the Collections Program through regular internal management reviews and reviews conducted by numerous independent parties.

**Evidence:** Over the last two fiscal years, FMS has developed a Collections Architecture to improve IT project management and investment, hired a professional research firm to conduct quantitative and qualitative analysis on the barriers to electronic tax collection, renegotiated its banking agreements for EFTPS leading to annual cost savings of 65 percent, instituted a Bank Review Office to enforce operations requirements at financial agent banks through unannounced reviews, entered into an agreement with Federal Reserve auditors to review FMS systems operated in Federal Reserve data centers, and engaged numerous third parties to conduct physical security reviews, American Institute of Certified Public Accountants Statement of Auditing Standards No. 70 (SAS 70) reviews, and IT security reviews of collection banks.

## PART Performance Measurements

**Program:** Financial Management Service (FMS): FMS Collections  
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1	2	3	4	Effective
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**4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals?**      Answer: **LARGE EXTENT**      Question Weight **20%**

**Explanation:** The Collections Program has demonstrated consistent progress towards its long-term performance goals on electronic collections outlined in the FMS Strategic Plan. In addition, FMS has taken concrete steps to upgrade its systems, its program governance, and its regulatory regime to foster further progress towards the goals. However, FMS must develop stronger policies and techniques to convince its partners (customer Federal agencies, as well as some of its agent commercial banks) to eliminate paper-based collections, while respecting the rights of citizens and businesses to tender payment to the government in a variety of ways.

**Evidence:** Over the last five years, the percentage of the dollar amount of collections made electronically has increased from 72 percent to 80 percent, and over the last three years the percentage of collection transactions executed electronically has increased from 29 percent to 36 percent. FMS has deployed 4 new governmentwide systems to enable increases in electronic collections (the Internet Credit Card Collections system, Pay.gov, Paper Check Conversion, and the new Fedwire Deposit System), and added an Internet channel to EFTPS to foster electronic tax payments by small businesses and individuals. Numerous changes have been made to the regulations governing Federal EFT transactions (31 CFR 210) to allow for more electronic collections.

**4.2 Does the program (including program partners) achieve its annual performance goals?**      Answer: **LARGE EXTENT**      Question Weight **20%**

**Explanation:** Over the last 3 fiscal years, FMS has met most of the annual performance goals established in its 3 tracking categories for the Collections Program. In addition, FMS must continue to work with its program partners on policy and techniques to move toward the elimination of paper-based collections.

**Evidence:** FMS met its annual targets on the percentage of the dollar amount of collections made electronically in fiscal years 2001, 2002, and 2003, with percentages of 75 percent, 79 percent, and 80 percent respectively. This means that in FY 2003 \$1.8 trillion out of \$2.3 trillion in total revenue was processed electronically in the Collections Program. FMS met its \$2 billion target for the amount of revenue collected over the Internet through Pay.gov in FY 2002. In FY 2003, FMS was under its \$5 billion target for Pay.gov by \$1.2 billion, but this performance shortfall represents only 0.05 percent of total revenue in the overall Collections Program. Changes implemented by FMS in FY 2004 will dramatically reduce the costs of EFTPS in the future.

**4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?**      Answer: **YES**      Question Weight **20%**

**Explanation:** Over the last year, the Collections Program demonstrated tangible efficiency gains in cost effectiveness, outsourcing additional activities to financial and fiscal agents, and meeting schedule targets.

**Evidence:** FMS re-negotiated the EFTPS banking agreements to achieve a 65 percent reduction in annual costs while increasing the performance and reducing the overall risk of the system by moving from two banks to a single provider. FMS also successfully re-bid the governmentwide General Lockbox Network, which incorporates new mechanisms to increase competition between agent banks across the country. In addition, FMS deployed the Paper Check Conversion system, which allows agencies to convert collected checks into EFT debits, to 30 new agencies. FMS outsourced day-to-day operations for its 350 Treasury General Account (TGA) collection banks to the Federal Reserve Bank of St. Louis.

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100%	88%	100%	87%	

**4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?**      Answer: YES      Question Weight 20%

**Explanation:** The closest programs with similar purposes and goals are the collections activities of large state governments. However, meaningful head-to-head performance comparisons are difficult due to unique Federal laws, particularly on tax collections, as well as the unequalled scale and scope of the FMS Collections Program, which processes over \$2 trillion through over 10,000 registered financial agent banks. Nevertheless, available data indicate that the FMS Collections Program compares favorably to that of state governments and the private sector.

**Evidence:** EFTPS is the state-of-the-art model for tax collections, and over 30 state governments have contracted with FMS's two EFTPS providers to obtain the same service established at the Federal level. FMS's regulations on Federal use of EFT permit electronic transactions in more instances and with greater ease than allowed commercially under industry rules. For example, the banking industry recognizes FMS as the leader in promoting the use of "check conversion," or the process of converting a paper check into an electronic debit processed through the Automated Clearinghouse (ACH).

**4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?**      Answer: YES      Question Weight 20%

**Explanation:** Program components have had numerous GAO, OIG, and independent third party reviews. All reviews validate the effectiveness of the program in timely and accurately processing over \$2.3 trillion annually. The largest systems in the Collections Program are considered part of the critical infrastructure, and the program's proven day-to-day performance is essential to hundreds of other Federal programs and the operation of the Government as a whole.

**Evidence:** In the last 2 years, GAO has audited Pay.gov and IRS lockboxes, and the OIG has audited the Plastic Card Network and all collections systems that process personal citizen information. McKinsey, KPMG, PWC, Booz Allen, Mitre, First Annapolis, and Northrop Grumman have conducted various independent internal control reviews, IT reviews, continuity of operations reviews, and program reviews. All lockbox banks are required to conduct SAS 70 reviews annually. (SAS 70 reviews provide an independent auditor's opinion on the control objectives and control activities, including IT controls, for an external service organization, such as a bank or Internet hosting center.)

## PART Performance Measurements

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**Measure:** Percentage of the dollar amount of Federal collections made electronically.

**Additional Information:** Supports FMS Strategic Goal #2: "Provide timely collection of Fed Gov't receipts, at the lowest cost, through an all electronic Treasury."

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2003	80%	80%	
2004	81%	81%	
2005	82%		
2006	83%		
2007	85%		
2008	86%		
2009	88%		
2010	90%		

**Measure:** Percentage of Federal revenue transactions processed electronically.

**Additional Information:** Supports FMS Strategic Goal #2: "Provide timely collection of Fed Gov't receipts, at the lowest cost, through an all electronic Treasury."

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2003	36%	36%	
2004	38%	40%	
2005	42%		
2006	47%		
2007	51%		

## PART Performance Measurements

**Program:** Financial Management Service (FMS): FMS Collections  
**Agency:** Department of the Treasury  
**Bureau:** Financial Management Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	88%	100%	87%	

2008	55%
2009	58%
2010	60%

**Measure:** Percentage of the dollar amount of Federal collections made electronically.

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2003	80%	80%	
2004	81%	81%	
2005	82%		
2006	83%		

**Measure:** Dollar amount of collections processed through Pay.gov governmentwide Internet collections portal

**Additional Information:** Activity in Pay.gov serves as proxy for determining the amount of cash and check transactions that have been displaced by Internet transactions

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2003	\$5B	\$3.8B	
2004	\$10B	\$4.0B	
2005	\$12B		
2006	\$15B		

## PART Performance Measurements

**Program:** Financial Management Service (FMS): FMS Collections  
**Agency:** Department of the Treasury  
**Bureau:** Financial Management Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	88%	100%	87%	

**Measure:** Reduction to the percentage increase in transaction costs in the Electronic Federal Tax Payment System (EFTPS) compared to the FY 2002 baseline of 8.8%

**Additional Information:** Transactions costs of EFTPS, the largest collection system in the world, serve as a proxy for the overall efficiency of the FMS Federal Collections Program.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2004	70%	100%	
2005	65%		
2006	65%		

**Measure:** Percentage of Federal agency customers indicating an overall service rating of satisfactory or better.

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2005			
2006			



## PART Performance Measurements

**Program:** Global Environment Facility  
**Agency:** Treasury Department  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not Demonstrated
80%	63%	89%	17%	

**1.1 Is the program purpose clear?**

Answer: YES

Question Weight 20%

**Explanation:** The GEF Instrument states the purpose of the Institution: "The GEF shall operate on the basis of collaboration and partnership among the implementing Agencies, as a mechanism for international cooperation for the purpose of providing, new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits in the following areas: (a) climate change, (b) biological diversity, (c) international water, (d) ozone layer depletion, (e) land degradation, primarily desertification and deforestation; and, (f) persistent organic pollutants."

**Evidence:** <http://www.gefweb.org/documents/instrument> GEF has three Implementing Agencies (IAs): the World Bank, the UN Development Program (UNDP), and the UN Environment Program (UNEP). It also has seven Executing Agencies (EAs) that have expanded opportunities to execute GEF projects and, more recently, Council approval for direct access to GEF funds (expected to be operational shortly). These agencies are: the African Development Bank (AfDB), the Asian Development Bank (AsDB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IDB), the International Fund for Agricultural Development (IFAD), the Food and Agriculture Organization (FAO), and the United Nations Industrial Development Organization (UNIDO).

**1.2 Does the program address a specific and existing problem, interest or need?**

Answer: YES

Question Weight 20%

**Explanation:** GEF addresses global environmental problems in the seven focal areas (listed in Q 1.1), and serves as a financial mechanism for several international environmental conventions to which the U.S. is a party.

**Evidence:** Polluted water is estimated to affect the health of over 1 billion people and nearly 2 billion face water shortage problems. Invasive species in the U.S. and elsewhere have caused billions of dollars in damages. Species-rich coral reefs are being degraded, and valuable rain forests are disappearing. <http://www.gefweb.org/Outreach/outreach-Publications/MainBook.pdf>

**1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?**

Answer: YES

Question Weight 20%

**Explanation:** GEF is designed to fund only the incremental cost associated with the global environmental benefit of projects put forward by the Implementing and Executing Agencies. All projects must include a calculation of the incremental cost, although the rigor of the calculations vary depending on the type of project and agency. All project documents must include a discussion of coordination with other efforts in the country, and must be endorsed by the country's operational contact for GEF projects. GEF projects are aimed at leveraging other funds in order to maximize its impact, so coordination is essential. Finally, the GEF pipeline and GEF project documents are published on the web prior to Council approval, and this transparency facilitates coordination.

**Evidence:** [http://www.gefweb.org/Documents/Council\\_Documents/GEF\\_C22/Project\\_Cycle\\_Update\\_FINAL\\_Nov\\_5\\_2003.pdf](http://www.gefweb.org/Documents/Council_Documents/GEF_C22/Project_Cycle_Update_FINAL_Nov_5_2003.pdf)

## PART Performance Measurements

**Program:** Global Environment Facility  
**Agency:** Treasury Department  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not
80%	63%	89%	17%	Demonstrated

**1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency?** Answer: NO Question Weight20%

**Explanation:** On the positive side, funding is primarily grants which does not add to country debt burdens. Implementing Agencies (IAs) propose projects that fit the development needs of recipient countries while producing the global environmental benefits through the GEF component. However, funds are not allocated to countries on the basis of relative performance or environmental benefit. Instead, projects are funded in the order in which they are proposed, provided that they meet the operational policy criteria and guidelines and fit the functional priorities for that year.

**Evidence:** GEF is currently trying to implement a performance-based allocation system, as agreed by the Council in the GEF-3 Replenishment Agreement. ([www.gefweb.org/Replenishment/Summary\\_of\\_negotiations\\_-\\_ENGLISH-11.5.doc](http://www.gefweb.org/Replenishment/Summary_of_negotiations_-_ENGLISH-11.5.doc)) However, the PBAS has encountered procedural delays and operational problems.

**1.5 Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?** Answer: YES Question Weight20%

**Explanation:** The project review criteria, as discussed in Q.1.3, ensures a focus on global environmental benefits in eligible countries, while introduction of a results measurement system is helping to ensure that project targets are achieved. However, funds should be focused more on countries with the best policy performance and potential global environmental benefits, and there should be greater attention to cost effectiveness.

**Evidence:** [http://www.gefweb.org/Documents/Council\\_Documents/GEF\\_C22/Project\\_Cycle\\_Update\\_FINAL\\_Nov\\_5\\_2003.pdf](http://www.gefweb.org/Documents/Council_Documents/GEF_C22/Project_Cycle_Update_FINAL_Nov_5_2003.pdf)

**2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?** Answer: YES Question Weight13%

**Explanation:** There are two specific long-term performance goals for the GEF -- (1) phase out ozone depleting substances in countries with economy in transition, and (2) eliminate stockpiles of persistent organic pollutants. For the other focal areas, the long-term goals are more general, such as stabilization of CO2 emissions in the very long term and "the conservation of biological diversity" in large part because there is no clear agreement among governments on long-term targets.

**Evidence:** See operation programs for each focal area: [http://www.gefweb.org/Operational\\_Policies/Operational\\_Programs/operational\\_programs.html](http://www.gefweb.org/Operational_Policies/Operational_Programs/operational_programs.html)

**2.2 Does the program have ambitious targets and timeframes for its long-term measures?** Answer: NO Question Weight13%

**Explanation:** The long term goals do not yet have timeframes, and a number of them do not yet have baselines.

**Evidence:**

## PART Performance Measurements

**Program:** Global Environment Facility  
**Agency:** Treasury Department  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not Demonstrated
80%	63%	89%	17%	

**2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?** Answer: YES Question Weight: 13%

**Explanation:** The GEF-3 agreement contains a set of process targets in each focal area for completion by the end of the replenishment period (e.g., 800-1200 million metric tons of CO2 emissions avoided during the lifetime of investments approved and funded by GEF-3 resources), and includes one cost effectiveness measure (decrease in \$ cost per ton of CO2 emissions reduction). Interim process targets (to be achieved by fall 2004) have been established for each of the replenishment targets.

**Evidence:** These goals can be found in the report from the third replenishment of the GEF: ([www.gefweb.org/Replenishment/Summary\\_of\\_negotiations\\_-\\_ENGLISH-11.5.doc](http://www.gefweb.org/Replenishment/Summary_of_negotiations_-_ENGLISH-11.5.doc)) Prior to the next replenishment period, new targets will be developed.

**2.4 Does the program have baselines and ambitious targets for its annual measures?** Answer: NO Question Weight: 13%

**Explanation:** As indicated in Q.2.3, the baseline and targets are contained in the GEF-3 agreement. However, their ambitiousness is limited by the fact that all are process indicators.

**Evidence:** ([www.gefweb.org/Replenishment/Summary\\_of\\_negotiations\\_-\\_ENGLISH-11.5.doc](http://www.gefweb.org/Replenishment/Summary_of_negotiations_-_ENGLISH-11.5.doc))

**2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?** Answer: YES Question Weight: 13%

**Explanation:** The full GEF Council (which represents both donors and recipients) has accepted the GEF-3 agreement (including the periodic/annual goals listed above) and has put in place many of its reforms, e.g., all projects must incorporate results measurement frameworks related to those goals. However, it is unclear whether a key replenishment reform - the establishment of a performance based allocation system (PBAS) - will be implemented.

**Evidence:** Results measurement requirement and annual goals are contained in the policy recommendations all the GEF-3 replenishment agreement. All projects entering the work program have targets listed in a logical framework presentation contained in the summary of each project proposal document.

## PART Performance Measurements

**Program:** Global Environment Facility  
**Agency:** Treasury Department  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not Demonstrated
80%	63%	89%	17%	

**2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?** Answer: YES Question Weight: 13%

**Explanation:** A regular external evaluation is conducted prior to each replenishment. However, the two previous evaluations have not been sufficiently rigorous or independent, due to inadequate baselines and performance indicators, the newness of the portfolio, and the selection process for the outside evaluation team. Therefore, at US urging, the terms of reference for the third external review of the GEF contains a strict conflict of interest provision for the selection of the external evaluators. In addition, the GEF monitoring and evaluation unit is now an independent office, with clear terms of reference and a recently approved (and more senior) new head of the unit. Finally, the GEF also relies on the M&E units of the IAs and EAs, a number of which are independent.

**Evidence:** Pursuant to the GEF-3 agreement, the terms of reference for the newly independent internal monitoring and evaluation (M&E) unit were approved in August 2003. A new head of the unit was approved by the Council in May 2004. [gefweb.org/MonitoringandEvaluation/MEAbout/GEFMETORsRevised.doc](http://gefweb.org/MonitoringandEvaluation/MEAbout/GEFMETORsRevised.doc) The terms of reference for the fourth external review were also approved in May 2004.

**2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?** Answer: YES Question Weight: 13%

**Explanation:** The GEF-3 agreement contains a set of process targets associated with different funding levels and performance incentives for achieving those targets. It provides for an incentive contribution (\$70 million) if certain interim targets are met. A results measurement system is also being put in place. This will allow the GEF to routinely quantify global environmental achievements and understand the reasons for success and failure.

**Evidence:** GEF-3 replenishment agreement. Once projects with results measurement frameworks are reporting outcomes, there should be more concrete evidence as to whether budget alignment exists.

**2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies?** Answer: NO Question Weight: 13%

**Explanation:** GEF-3 calls for the creation of an annual strategic business plan, based on the introduction of a system of performance-based allocations. Drafts of the strategic plan have been reviewed by the Council. However, the introduction of the performance-based allocation system (PBAS) is behind schedule, thereby delaying approval of the strategic business plan. In practice, the GEF has operated on the basis of the targets set in the replenishment agreement and the interim targets in schedule 1 of that attachment.

**Evidence:** We expect decision on the PBAS to take place at the November 2004 Council meeting. The draft strategic plan can be found on <http://www.gefweb.org> in the Council documents for the November 2003 meeting.

## PART Performance Measurements

**Program:** Global Environment Facility  
**Agency:** Treasury Department  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not Demonstrated
80%	63%	89%	17%	

**3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?** Answer: YES Question Weight:11%

**Explanation:** The Monitoring and Evaluation Unit receives from Implementing and Executing agencies annual reports on implementation, all supervision reports and aide memoires relating to the projects, terminal evaluations for all projects and midterm evaluations for all full-sized projects. It uses this input to prepare program studies, thematic studies, and an annual project implementation review. However, the data is not always timely or credible, and the monitoring and evaluation unit has observed that some reports are overly positive. In addition, outcomes are not yet fully reported to the Council on an annual basis, as called for in the GEF-3 Replenishment. Lessons learned are not being adequately incorporated into new projects, but efforts are underway to develop a formal feedback loop. The ongoing development of a performance-based allocation system (if successful) will also help generate metrics for country level performance.

**Evidence:** All GEF monitoring and evaluation studies are available to the public on the GEF website. The core M&E document is the Annual Project Performance Report (latest 2003) and is drawn from annual portfolio performance reports by Implementing Agencies. The M&E unit will shortly post all midterm and terminal evaluations of GEF projects conducted by Implementing Agencies on the GEF website.  
<http://www.gefweb.org/MonitoringandEvaluation/MEPublications/mepublications.html>

**3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?** Answer: YES Question Weight:11%

**Explanation:** Once every four years during the GEF replenishment negotiation process, each donor makes an assesment of GEF effectiveness and efficiency in order to determine whether and to what extent to fund GEF. The U.S. is encouraging other donors to tie a portion of their contributions to key outcomes.

**Evidence:** The GEF-3 replenishment agreement calls for the U.S. to contribute an addition \$70 million for GEF in FY 2006 if GEF meets specific benchmarks in establishing the new performance based allocation system and for putting forward projects that make specific progress towards the long-term goals.

**3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?** Answer: NO Question Weight:11%

**Explanation:** The GEF ensures that funds are spent for the intended purpose through financial procedures agreement between the World Bank, which serves as the GEF's Trustee, and all Implementing and Executing Agencies. However, there are substantial (and growing) lags between the time of Council approval and project implementation (e.g., over two years for World Bank projects).

**Evidence:** Annual Project Performance Report (2003) indicated problems with delays in project implementation. The Secretariat has developed an action plan to improve procedures for medium-sized projects that will be discussed in November 2004. It is working with IA's and EA's to propose measures to streamline the project cycle. These will be put forward for review in November 2004.  
[gefweb.org/C.23.Inf.5\\_Project\\_Performance\\_Report\\_2003\\_FINAL.doc](http://gefweb.org/C.23.Inf.5_Project_Performance_Report_2003_FINAL.doc); [gefweb.org/C.23.Inf.6\\_Action\\_Plan\\_of\\_MSP\\_FINAL.pdf](http://gefweb.org/C.23.Inf.6_Action_Plan_of_MSP_FINAL.pdf).

## PART Performance Measurements

**Program:** Global Environment Facility  
**Agency:** Treasury Department  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not
80%	63%	89%	17%	Demonstrated

**3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?** Answer: YES Question Weight:11%

**Explanation:** The GEF has opened up the number of Executing Agencies that can directly access GEF funds, although technical agreements are still being worked out. It is in the process of putting in place a PBAS (although outcome still in doubt). Projects are implemented by agencies such as the World Bank (which is implementing the majority of investment projects) that use international competitive bidding processes. However, GEF does not systematically measure cost effectiveness of projects even though this is a core principle of its operations.

**Evidence:** Paper on direct access for Executing Agencies:[http://www.gefweb.org/Documents/GEF\\_C22/C.22.12\\_Executing\\_Agencies\\_FINAL.doc](http://www.gefweb.org/Documents/GEF_C22/C.22.12_Executing_Agencies_FINAL.doc). Draft PBAS paper (if successful):[http://www.gefweb.org/Documents/Council\\_Documents/GEF\\_C23/C.23.7\\_PBA\\_FINAL.pdf](http://www.gefweb.org/Documents/Council_Documents/GEF_C23/C.23.7_PBA_FINAL.pdf)Annual reporting of outcomes should help in the development of unit cost comparisons.

**3.5 Does the program collaborate and coordinate effectively with related programs?** Answer: YES Question Weight:11%

**Explanation:** The GEF is intended to be a collaborative mechanism. While coordination is not perfect, the three Implementing Agencies work closely with the GEF Secretariat, review GEF policy papers, and provide comments on GEF projects, even those that are proposed by other agencies. The Implementing Agencies have also prepared reports on how their institutions mainstream environmental considerations into their own operations, and are required to do so on an annual basis under GEF-3. This collaboration is being extended to the 7 incoming Executing Agencies, who are at various stages of completing memoranda of understanding with the GEF Secretariat and the Trustee. The process for the Council to approve the projects also improves coordination with bilateral donors.

**Evidence:** All three Implementing Agencies have produced reports on how they are mainstreaming global environmental issues into their own operations, e.g., [http://lnweb18.worldbank.org/ESSD/envext.nsf/yDocName/Mainstreaming The GEF Secretariat](http://lnweb18.worldbank.org/ESSD/envext.nsf/yDocName/Mainstreaming%20The%20GEF%20Secretariat) is developing MOUs with the seven new EAs. Project documents contain comments from agencies and responses from the project sponsor.

**3.6 Does the program use strong financial management practices?** Answer: YES Question Weight:11%

**Explanation:** GEF has its own financial statements audited by independent external auditors every year. It relies on the World Bank Trustee to disburse funds and provide financial supervision over the Executing Agencies (EAs). The Trustee has financial procedures agreements with each of the EAs. However, GEF essentially relies on IAs' and EAs' own internal controls to ensure sound financial management, recognizing that it is the responsibility of those institutions' governing bodies to oversee their internal controls.

**Evidence:** Annual audited financial statements for Secretariat and IAs are contained in GEF annual reports. 2003 report is at: [http://www.gefweb.org/Outreach/outreach-Publications/AR\\_2003.pdf](http://www.gefweb.org/Outreach/outreach-Publications/AR_2003.pdf). Discussion of financial procedures for direct access to GEF and funds by seven new EAs (approved by the Council in May 2004) at:[http://www.gefweb.org/Outreach/outreach-Publications/Draft\\_AR\\_2003.pdf](http://www.gefweb.org/Outreach/outreach-Publications/Draft_AR_2003.pdf)

## PART Performance Measurements

**Program:** Global Environment Facility  
**Agency:** Treasury Department  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not
80%	63%	89%	17%	Demonstrated

**3.7 Has the program taken meaningful steps to address its management deficiencies?** Answer: YES Question Weight:11%

**Explanation:** The GEF Council reviews procedures for managing the GEF financing program. GEF's donors have made broad changes in GEF's management practices as appropriate. In response to the GEF-3 replenishment agreement, management has put in place results measurement frameworks in all projects, begun a process of retrofit projects to ensure strong M&E frameworks, revised procedures for co-financing, strengthened project review criteria, and established an independent M&E unit. However, more needs to be done to correct deficiencies, e.g., the establishment of a PBAS, the development and use of additional cost effectiveness measures.

**Evidence:** See GEF-3 replenishment agreement policy recommendations (ref above), and Action Plan document <http://www.gefweb.org/whatsnew/GEFActionPlan0708-04.doc>

**3.BF1 Does the program have oversight practices that provide sufficient knowledge of grantee activities?** Answer: YES Question Weight:11%

**Explanation:** GEF relies on the Implementing and Executing Agencies to report on implementation of projects and flag projects at risk. The World Bank, which has implemented over 50% of GEF funds thus far, has strong supervision and monitoring systems. However, not all of the other agencies have such systems. Also, data is not sufficiently disaggregated to assess country performance.

**Evidence:** The World Bank has an internal portfolio monitoring and supervision system that tracks all ongoing projects and identifies projects at risk. Internal portfolio monitoring reports - the Annual Report on Portfolio Performance (ARPP) - are submitted to the World Bank Board every year. The other Implementing Agencies have reported on their project at risk systems and are currently taking steps to strengthen them.

**3.BF2 Does the program collect grantee performance data on an annual basis and make it available to the public in a transparent and meaningful manner?** Answer: YES Question Weight:11%

**Explanation:** Project data are widely available to the public. In addition, project data is being improved pursuant to the GEF-3 Replenishment agreement, which states: "Indicators should be designed with a view to assessing global environmental impacts achieved from the GEF resources. All projects must include clear and monitorable indicators, plans for monitoring and supervision, and identification of risks and other factors designed to improve quality at entry and to maximize impact. There should be a transparent system for the monitoring of these indicators and outcomes and for informing the Council on an annual basis." However, there is inadequate data or analysis on country performance.

**Evidence:** All project proposals as well as all monitoring and evaluation work conducted by or commissioned by the GEF unit are already available to the public. Terminal evaluations of projects are available in agencies' websites and are in the process of being posted on the GEF website

**4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals?** Answer: NO Question Weight:25%

**Explanation:** There has been significant progress on the phase out of ozone-depleting substances (4% of the portfolio). However, there is not yet sufficient data to tell whether the results of GEF projects have been adequate across all focal areas.

**Evidence:** Study of impact of the GEF activities on phaseout of ozone depleting substances (2000; evaluation report #1-00) for ozone results.

## PART Performance Measurements

**Program:** Global Environment Facility  
**Agency:** Treasury Department  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not
80%	63%	89%	17%	Demonstrated

- 4.2 Does the program (including program partners) achieve its annual performance goals?** Answer: NO Question Weight: 25%
- Explanation: The four-year (and interim) targets have only recently been established (agreed to August 2002), and it is too soon to tell whether they have been achieved.
- Evidence: GEF-3 requires verification of interim targets in Fall 2004.
- 4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?** Answer: SMALL EXTENT Question Weight: 25%
- Explanation: Direct access for seven new Executing Agencies and improvements in data management is increasing competition and providing greater choices for project implementation. The introduction of a performance-based allocation system should further improve efficiencies and cost effectiveness. However, there is not a systematic approach to measuring cost effectiveness and maximizing impact per dollar spent, even though cost effectiveness is a core operational principle. In addition, a number of projects in the renewable energy portfolio do not appear to be cost effective.
- Evidence: GEF-3 replenishment agreement includes a cost effectiveness measure for CO2 emissions, but it is too soon to tell whether it has been met. In addition, GEF-3 includes a commitment to introduce a performance-based allocation system, which should enhance cost effectiveness since funds would be channeled to their best use.
- 4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?** Answer: NA Question Weight: 0%
- Explanation: No common measurements of effectiveness across multilateral and bilateral donors exist. The comparison would be difficult and costly.
- Evidence:
- 4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?** Answer: SMALL EXTENT Question Weight: 25%
- Explanation: This is a relatively new institution. The last external review (January 2002) was done with limited number of completed projects (about 100) and inadequate baseline data in many projects. With that caveat in mind, the study concluded that "GEF-supported projects have been able to produce significant results that address important global environment problems."
- Evidence: "The First Decade of the GEF: Second Overall Performance Study" pg. ix. See [http://www.gefweb.org/1Full\\_Report-FINAL-2-26-02.pdf](http://www.gefweb.org/1Full_Report-FINAL-2-26-02.pdf). Previous external evaluations were undertaken in 1994 and 1998.



## PART Performance Measurements

**Program:** Global Environment Facility  
**Agency:** Treasury Department  
**Bureau:** International Affairs  
**Type(s):** Block/Formula Grant

Section Scores				Rating
1	2	3	4	Results Not
80%	63%	89%	17%	Demonstrated

**Measure:** Increase biodiversity area (million hectares) under protection and/or improved management

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
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**Measure:** Eliminate persistent organic pollutants (tons of POPs)

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
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**Measure:** In the very long term, stabilize CO2 emissions (tons).

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
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**Measure:** Reudce \$/ton cost of CO2 emissions avoided for portfolio of GEF projects to below \$4.

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
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**Measure:** Phaseout tons of ozone depleting substances consumed by countries with economies in transition

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
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## OMB Program Assessment Rating Tool (PART)

### Block/Formula Grants

Name of Program: International Development Association

#### Section I: Program Purpose & Design (Yes, No, N/A)

	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1	<i>Is the program purpose clear?</i>	Yes	Article I of the Articles of Agreement of IDA clearly and accurately states the purpose of the institution. "The purposes of the Association are to promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world included within the Association's membership, in particular by providing finance to meet their important developmental requirements on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans, thereby furthering the developmental objectives of the International Bank for Reconstruction and Development (hereinafter called "the Bank") and supplementing its activities."	<a href="http://www.worldbank.org/ida/idaart02.htm">http://www.worldbank.org/ida/idaart02.htm</a>	20%	0.2
2	<i>Does the program address a specific interest, problem or need?</i>	Yes	IDA serves to mobilize the resources of the major donor countries to provide financing on both concessional and grant terms for the development needs of the poorest countries.	Over one billion people in the world live on less than \$1 per day; over 3 billion live on less than \$2 per day.	20%	0.2
3	<i>Is the program designed to have a significant impact in addressing the interest, problem or need?</i>	Yes	IDA provides a large fraction of total aid flows and is the main source of financing for some developing countries (particularly in sub-Saharan Africa) and for some sectors.	For the last several years, IDA has accounted for approximately 15% of total annual aid flows to the world's poorest countries.	20%	0.2
4	<i>Is the program designed to make a unique contribution in addressing the interest, problem or need (i.e., not needlessly redundant of any other Federal, state, local or private efforts)?</i>	No	IDA has regional counterparts that have very similar programs. However, IDA has undertaken recent Memoranda of Understanding with these other Multilateral Development Banks and has increased coordination with other donors.	The other regional concessional lending facilities include: the African Development Fund, the Asian Development Fund, and the Fund for Special Operations at the Inter-American Development Bank.	20%	0.0

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
5	<i>Is the program optimally designed to address the interest, problem or need?</i>	No	Although its financing is both long-term and zero-interest, IDA loans to the poorest countries still add to their debt burden and make it difficult for countries to stay on the path of sustainable development. A higher proportion of grants would be more effective. The recently-concluded agreement to replenish the resources of IDA (the IDA-13 agreement) increases the proportion of grants in IDA from less than 1% to 18-21%. Although the U.S. would like a higher proportion of grants, IDA is still an effective mechanism for leveraging U.S. resources with substantial development financing from other donors. The U.S. is not the only donor to IDA, and every \$1 contributed by the U.S. to IDA mobilizes about \$4 from other donors. In addition, IDA allocates its assistance on the basis of country performance, making its financing more effective than other programs that have weaker links between aid flows and commitment to economic reforms	On July 17, 2001, President Bush proposed "that up to 50 percent of the funds provided by the development banks to the poorest countries be provided as grants for education, health, nutrition, water supply, sanitation and other human needs, which will be a major step forward." The Department of the Treasury will continue to encourage the other donors to adopt this benchmark in the next IDA replenishment negotiation.	20%	0.0

<b>Total Section Score</b>					<b>100%</b>	<b>60%</b>
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<b>Section II: Strategic Planning (Yes,No, N/A)</b>						
	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
1	<i>Does the program have a limited number of specific, ambitious long-term performance goals that focus on outcomes and meaningfully reflect the purpose of the program?</i>	Yes	In September 2001, the World Bank Group (which includes IDA) adopted the eight Millennium Challenge Goals, which serve as very ambitious, long-term performance goals (involving significant progress by 2015). IDA also sets forth long-term country-specific goals in its Country Assistance Strategies (CAS).	The Millennium Challenge goals include: (1) Eradicate extreme poverty and hunger; (2) Achieve universal primary education; (3) Promote gender equality and empower women; (4) Reduce child mortality; (5) Improve maternal health; (6) Combat HIV/AIDS, malaria, and other diseases; (7) Ensure environmental sustainability; and (8) Develop a global partnership for development. See September 19, 2001 press release, "World Bank Joins United Nations in Implementing Millennium Development Goals Guide To Development In 21st Century" at <a href="http://www.worldbank.org">http://www.worldbank.org</a> . For more information on Millennium Development Goals, see: <a href="http://www.developmentgoals.org">http://www.developmentgoals.org</a> .	14%	0.1
2	<i>Does the program have a limited number of annual performance goals that demonstrate progress toward achieving the long-term goals?</i>	Yes	Although not present prior to 2002, the IDA-13 agreement established specific periodic goals. The goals for Spring 2004 include: (1) Increase population-weighted average primary education completion rate to 69% with a substantial number of countries reaching a higher rate; (2) Increase number of countries with positive growth rates in primary education completion rates to 38 countries; (3) Increase overall coverage rate (population-weighted) of measles immunization to 60%, with a substantial number of countries reaching a higher rate; (4) Increase number of countries with 80% coverage of measles vaccination to 29 countries; (5) Reduce time required for business start-up (in number of business days) by 7% from end-2001; and (6) Reduce formal cost of business start-up (in percent of GDP per capita) by 7% from end-2001.	These goals can be found in the IDA-13 report at: <a href="http://www.worldbank.org/ida/IDA13Report.pdf">http://www.worldbank.org/ida/IDA13Report.pdf</a>	14%	0.1

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
3	<i>Do all partners (grantees, sub-grantees, contractors, etc.) support program planning efforts by committing to the annual and/or long-term goals of the program?</i>	Yes	The full World Bank Board (which represents both donors and borrowers) has accepted the IDA-13 agreement (including the periodic/annual goals listed above) and the Millennium Development Goals (which reflect the long-term goals listed above).	Full explanation and data on the recent IDA-13 agreement and the latest Development Committee (a forum of the World Bank and the International Monetary Fund) communique (April 2002) can be found on the World Bank's website at: ( <a href="http://www.worldbank.org/ida/IDA13Report.pdf">http://www.worldbank.org/ida/IDA13Report.pdf</a> and <a href="http://wbln0018.worldbank.org/DCS/DevCom.nsf">http://wbln0018.worldbank.org/DCS/DevCom.nsf</a> ).	14%	0.1
4	<i>Does the program collaborate and coordinate effectively with related programs that share similar goals and objectives?</i>	No	There has been some progress with regard to donor coordination and harmonization of policies across multilateral development banks. However, more work is needed in this area, and the pace of progress so far has been disappointing.	Coordination now takes place at the country level, but more progress could be made at the sectoral and other levels. Recent harmonization proposals have been weak.	14%	0.0
5	<i>Are independent and quality evaluations of sufficient scope conducted on a regular basis or as needed to fill gaps in performance information to support program improvements and evaluate effectiveness?</i>	Yes	The World Bank's Operations and Evaluation Department (OED) is an independent unit of the World Bank that reports directly to the Bank's Executive Board. The Board oversees OED work through the Board's Committee on Development Effectiveness (CODE). OED uses best practice standards and is internationally respected for the quality of its work. Also, the U.S.'s Government Accounting Office (GAO) conducts frequent reviews of selected aspects of IDA.	OED evaluation measures achievement in relation to institutional policies, Bank-wide program objectives, and the goals set for each operation. OED's evaluation tools used in promoting accountability and learning include Project Reviews (about 70 a year), Country Assistance Evaluations (about 10 a year), Sector and Thematic Reviews (about 6 a year), and Process Reviews (2 or 3 a year). For further information on OED, see: <a href="http://www.worldbank.org/oed">http://www.worldbank.org/oed</a> .	14%	0.1
6	<i>Is the program budget aligned with the program goals in such a way that the impact of funding, policy, and legislative changes on performance is readily known?</i>	No	The IDA-13 agreement establishes a new measurable results system so that the Bank can determine if IDA funding is having any measurable affect. This will allow the Bank to routinely quantify IDA's development achievements and understand the reasons for success and failure.	Once the new measurable results system is operational, there should be concrete evidence as to whether budget alignment exists.	14%	0.0

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
7 <i>Has the program taken meaningful steps to address its strategic planning deficiencies?</i>	Yes	IDA does not yet have in place a comprehensive set of annual goals that link to all of the long term performance goals, but the IDA-13 agreement produced a new results-based management system which should function to address such deficiencies. In addition, specific periodic output (see question 2 above) and input goals were established. Implementation of the results-based management system is still ongoing.	The IDA-13 agreement adopted solid input measures goals that will lead to measurable outputs. The input goals work to ensure that the donor countries' funds are being used as effectively and efficiently as possible. IDA's Spring 2003 goals including: (1) Initiation of a performance measurement system, including an outline of approach, baseline data, outcome indicators and progress targets; (2) A total of 30 Country Financial Accountability Assessments (CFAAs) completed, of which at least 50% for African countries; (3) A total of 24 Country Procurement Assessment Reviews (CPARs) completed, of which at least 50% for African countries; (4) A total of 29 Public Expenditure Reviews (PERs) completed, of which at least 50% for African countries; and (5) A total of 7 Investment Climate Assessments completed. See also the description of outcome goals in question II.2. These goals can be found in the IDA-13 report at: <a href="http://www.worldbank.org/ida/IDA13Report.pdf">http://www.worldbank.org/ida/IDA13Report.pdf</a>	14%	0.1
<b>Total Section Score</b>				<b>100%</b>	<b>71%</b>

<b>Section III: Program Management (Yes,No, N/A)</b>					
Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
1	<i>Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?</i>	Yes	The World Bank/IDA does this on multiple levels. On the most general level, IDA is working to improve its data collection and to create common measurements to evaluate performance over time. In addition, IDA employs various diagnostics that serve to collect timely and credible performance information to help it better serve its purpose in recipient countries, including Country Financial Accountability Assessments (CFAAs), Country Procurement Assessment Reviews (CPARs), Public Expenditure Reviews (PERs), current poverty analyses that are now part of Country Assistance Strategies (CASs), and Investment Climate Assessments (ICAs). IDA also provides capacity building and technical assistance to recipient countries to enable them to conduct household data surveys.	Guidelines to the country-level performance assessments can be found at ( <a href="http://www.worldbank.org/cas/">http://www.worldbank.org/cas/</a> ), ( <a href="http://www1.worldbank.org/publicsector/keyinstruments.htm">http://www1.worldbank.org/publicsector/keyinstruments.htm</a> ), ( <a href="http://www.worldbank.org/privatesector/ic/index.htm">http://www.worldbank.org/privatesector/ic/index.htm</a> ), and ( <a href="http://www.worldbank.org/poverty/data/">http://www.worldbank.org/poverty/data/</a> ). Also see the Country Policy and Institutional Assessment (CPIA) guidelines, which are updated annually ( <a href="http://www.worldbank.org/ida/CPIA2002.pdf">http://www.worldbank.org/ida/CPIA2002.pdf</a> ); CPIA data are integral to the Bank's Performance-Based Allocation (PBA) system it uses for countries.	11%	0.1
2	<i>Are Federal managers and program partners (grantees, subgrantees, contractors, etc.) held accountable for cost, schedule and performance results?</i>	Yes	Once every three years during the IDA replenishment negotiation process, each donor makes an assessment of IDA's effectiveness and efficiency in order to determine whether to fund IDA or not. The U.S. is encouraging other donors to tie a portion of their contributions to key outcomes.	The U.S. will request an additional \$100 million for IDA in FY 2004 if IDA meets specific benchmarks in establishing the new results measurement system, and the U.S. will request an additional \$200 million for IDA in FY 2005 if IDA makes satisfactory progress in the areas of health, education, and private sector development.	11%	0.1
3	<i>Are all funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?</i>	Yes	IDA maintains a system for ensuring that its funding is provided only for activities that promote the objectives to which have been agreed by donors to the IDA replenishment.	IDA has a system of internal controls (policies on procurement, financial management, disbursement, and financial statement audits), an internal auditor, a fraud and corruption investigative mechanism, and an independent office of program evaluation. General oversight procedures are reviewed by the Audit Committee of the Board of Directors.	11%	0.1

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
4	<i>Does the program have incentives and procedures (e.g., competitive sourcing/cost comparisons, IT improvements) to measure and achieve efficiencies and cost effectiveness in program execution?</i>	Yes	IDA allocates its resources through a performance-based allocation system. It also uses loan conditionality to ensure that funds are used effectively by the recipient countries. For IDA investment projects, IDA generally requires an international or national competitive bidding process for procurement. In addition, IDA does an ex-ante procurement capacity assessment of the borrower's executing agency for investment projects, conducts project supervision, and may do ex-post procurement audits.	There has been considerable improvement over the last several years increasing the level of transparency of Bank operations due to the fact that all necessary information is publicly available on the internet ( <a href="http://www.worldbank.org">http://www.worldbank.org</a> ). Also see the Country Policy and Institutional Assessment (CPIA) guidelines, updated annually ( <a href="http://www.worldbank.org/ida/CPIA2002.pdf">http://www.worldbank.org/ida/CPIA2002.pdf</a> ); CPIA data are integral to the Bank's Performance-Based Allocation (PBA) system it uses for countries.	11%	0.1
5	<i>Does the agency estimate and budget for the full annual costs of operating the program (including all administrative costs and allocated overhead) so that program performance changes are identified with changes in funding levels?</i>	Yes	The World Bank budget estimates and budgets for the full annual costs of operating its program. The IDA budget includes the full amount of expenditures to ensure the implementation of the IDA program, including overhead. The performance-based allocation system ensures that changes in country performance are reflected in changes in the country's allocation of IDA resources.	Quarterly updates on the budget are made available to the Executive Board of Directors. In 2001, the World Bank allocated less IDA funding to Gambia and Nicaragua due to the countries' poor performance.	11%	0.1
6	<i>Does the program use strong financial management practices?</i>	Yes	IDA (and the rest of the World Bank Group) has its own financial statements audited by independent external auditors every year. The World Bank Group has established strong internal fiduciary controls over its own financial reporting. Financial oversight practices are reviewed by the Internal Auditor as well as by the Board of Directors' Audit Committee.	As required in section 588 of the FY 2001 and section 578 of the FY 2002 Foreign Operations Appropriations Acts, the Secretary of the Treasury has certified that IDA is: 1) implementing procedures for conducting annual audits by qualified independent auditors for all new investment lending; 2) taking steps to establish an independent fraud and corruption investigative organization or office; 3) implementing a process to assess a recipient country's procurement and financial management capabilities including an analysis of the risks of corruption prior to initiating new investment lending; and 4) taking steps to fund and implement programs and policies to improve transparency and anti-corruption programs and procurement and financial management controls in recipient countries.	11%	0.1



Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
7 <i>Has the program taken meaningful steps to address its management deficiencies?</i>	Yes	The Board of Directors reviews management procedures for implementing the IDA financing program. IDA donors can make broad policy changes in IDA's management practices as appropriate. Examples include the recently-established results-based financing and the prior creation of an independent inspection panel (which served to strengthen the role of the Board committee). On the other hand, the U.S. has noted that IDA and the World Bank could do a better job linking budget allocations to strategic priorities of the institution.	See III.6. above. See also IDA-13 agreement ( <a href="http://www.worldbank.org/ida/IDA13Report.pdf">http://www.worldbank.org/ida/IDA13Report.pdf</a> ). A recent example of the World Bank taking steps to address management deficiencies is the program for reform of the World Bank's trust fund program.	11%	0.1
8 (B 1.) <i>Does the program have oversight practices that provide sufficient knowledge of grantee activities?</i>	Yes	The World Bank has an internal portfolio monitoring and supervision system that tracks all ongoing projects and identifies projects at risk.	Internal portfolio monitoring reports -- the Annual Report on Portfolio Performance (ARPP) -- are submitted to the Board every year.	11%	0.1
9 (B 2.) <i>Does the program collect grantee performance data on an annual basis and make it available to the public in a transparent and meaningful manner?</i>	Yes	The Bank employs various diagnostics that serve to collect timely and credible performance information to help IDA better serve its purpose in recipient countries.	These diagnostic reports include Country Financial Accountability Assessments (CFAAs), Country Procurement Assessment Reviews (CPARs), Public Expenditure Reviews (PERs), current poverty analyses that are now part of Country Assistance Strategies (CASs), and Investment Climate Assessments (ICAs). In addition, the Bank releases an annual report on IDA allocations, Bank activities, and other information. In addition, all Bank loans and Operations Evaluation Department reports are posted on the Bank's web site at <a href="http://www.worldbank.org">http://www.worldbank.org</a> .	11%	0.1
<b>Total Section Score</b>				<b>100%</b>	<b>100%</b>

<b>Section IV: Program Results (Yes, Large Extent, Small Extent, No)</b>					
Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score

	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1	Has the program demonstrated adequate progress in achieving its long-term outcome goal(s)?	Small Extent	The IDA-13 agreement went far to establish tangible outcome goals. However, because this sort of outcome-based performance measurement has been lacking in the past, it is extremely difficult to assess IDA's progress thus far on these specific goals. In addition to the goals set during IDA-13, IDA has had the objective of supporting the Millennium Development Goals, and has made some progress, as can be demonstrated in specific country program analyses. However, IDA is still developing a more accurate and comprehensive means of measuring the attainment of these objectives.	Since the IDA-13 negotiations just concluded, there has not been enough time to measure IDA's progress. Note that it is particularly difficult methodologically to distinguish development progress/results achieved by IDA versus those attained by other Official Development Assistance programs (ODA).	25%	0.1

<p>Long-Term Goal I: Achieve universal primary education. (Millennium Development Goals, number 2)</p> <p>Target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.</p> <p>Actual Progress achieved toward goal: N/A (data does not yet exist to adequately measure progress on this goal)</p>						
<p>Long-Term Goal II: Reduce child mortality. (Millennium Development Goals, number 4)</p> <p>Target: Reduce by two thirds, between 1990 and 2015, the under-five mortality rate</p> <p>Actual Progress achieved toward goal: N/A (data does not yet exist to adequately measure progress on this goal)</p>						
<p>Long-Term Goal III: Develop a global partnership for development. (Millennium Development Goals, number 8)</p> <p>Target: Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction—both nationally and internationally)</p> <p>Actual Progress achieved toward goal: N/A (data does not yet exist to adequately measure progress on this goal)</p>						

2	Does the program (including program partners) achieve its annual performance goals?	No	As far as the IDA-13 annual development goals, these were set only a few months ago.	There has not been sufficient time to determine whether they will be met.	25%	0.0
<p>Key Goal I: Increase primary education completion rate</p> <p>Performance Target: Increase population-weighted average primary education completion rate to 69% with a substantial number of countries reaching a higher rate; Increase number of countries with positive growth rates in primary education completion rates to 38 countries.</p> <p>Actual Performance: N/A (data does not yet exist to adequately measure progress on this goal)</p>						
<p>Key Goal II: Increase measles immunization rate</p> <p>Performance Target: Increase overall coverage rate (population-weighted) of measles immunization to 60%, with a substantial number of countries reaching a higher rate; Increase number of countries with 80% coverage of measles vaccination to 29 countries.</p> <p>Actual Performance: N/A (data does not yet exist to adequately measure progress on this goal)</p>						

	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
		Key Goal III: Reduce cost of business start-ups Performance Target: Reduce time required for business start-up (in numbers of business days) by 7% from end-2001; Reduce formal cost of business start-up (in percent of GDP/capita) by 7% from end-2001. Actual Performance: N/A (data does not yet exist to adequately measure progress on this goal)				
		Footnote: Performance targets should reference the performance baseline and years, e.g. achieve a 5% increase over base of X in 2000.				
3	<i>Does the program demonstrate improved efficiencies and cost effectiveness in achieving program goals each year?</i>	Large Extent	IDA employs a performance-based allocation system vis-à-vis country performance. This system has been a hallmark of IDA assistance for several years, and is being strengthened.	The Country Policy and Institutional Assessment (CPIA) assesses the quality of a country's present policy and institutional framework, with the ultimate goal of identifying how conducive that framework is to fostering poverty reduction, sustainable growth and the effective use of development assistance. Also, with IDA-13, the World Bank will start tracking IDA's overall performance year-to-year in achieving a set of high-impact development measures. In 2001, the World Bank allocated less IDA funding to Gambia and Nicaragua due to the countries' poor performance.	25%	0.2
4	<i>Does the performance of this program compare favorably to other programs with similar purpose and goals?</i>	Not Applicable	Although IDA has had a performance-based allocation system in place much longer than the regional development banks, no common measurements of effectiveness across multilateral and bilateral donors exist.	No common measurements of effectiveness across multilateral and bilateral donors exist.	0%	

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
5	<i>Do independent and quality evaluations of this program indicate that the program is effective and achieving results?</i>	Small Extent	The World Bank employs global data on poverty trends. In addition, the Bank's Operations and Evaluation Division (OED) reports directly to the Bank's Board of Executive Directors, with the goal of using their evaluations to learn from experience, to provide an objective basis for assessing the results of the Bank's work, and to provide accountability in the achievement of its objectives. It also improves Bank work by identifying and disseminating the lessons learned from experience and by framing recommendations drawn from evaluation findings. In addition, the Bank's Quality Assurance Group (QAG) (established in 1996) reviews samples of projects to evaluate the quality of new projects and supervision of ongoing projects. Results of these analyses are fed back to project staff for learning and project improvement. Topics covered in the QAG assessments include project readiness for implementation, application of safeguard policies, attention to poverty and social aspects, and risk assessment and management.	While not directly attributable to IDA, poverty has decreased and IDA countries have seen living standards increase over the last few decades. OED's Annual Review of Development Effectiveness (ARDE) for 2001 ( <a href="http://www.worldbank.org/oed/arde2001">http://www.worldbank.org/oed/arde2001</a> ) demonstrates sustained progress in portfolio performance, in addition to improvements in the sustainability of project achievements and their institutional development impact.  OED also conducted a review of IDA 10-12 ( <a href="http://www.worldbank.org/ida/oed/oeddocs">http://www.worldbank.org/ida/oed/oeddocs</a> ). The U.S. concurred with OED in that (a) IDA had for the most part complied satisfactorily with the replenishment undertakings in key areas, including sharpening the focus on poverty reduction, improving analysis and expanding support for governance-enhancing efforts; (b) work on selectivity had not fully met expectations, nor had satisfactory progress been made in integrating gender, environment, and private sector development into IDA programs; and (c) IDA's performance in achieving broad development outcomes had been partially satisfactory, with notable improve	25%	0.1
<b>Total Section Score</b>					<b>100%</b>	<b>33%</b>

## OMB Program Assessment Rating Tool (PART)

### Direct Federal Programs

Name of Program: IRS Tax Collection

#### Section I: Program Purpose & Design (Yes, No, N/A)

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 <i>Is the program purpose clear?</i>	Yes	Tax collection is necessary to finance government operations. Since not all taxpayers voluntarily pay, enforcement programs such as collection are necessary.	IRS's strategic plan, page 31: "Enforcement is one of the essential components of ensuring compliance and fairness."	20%	0.2
2 <i>Does the program address a specific interest, problem or need?</i>	Yes	In order to fulfill it's mission, ("..fairness to all...") IRS must compel delinquent taxpayers to pay taxes due.	While no current figures are available, IRS's strategic plan estimates that in 1997 the tax gap (legally due taxes that are not paid) was roughly \$200 billion.	20%	0.2
3 <i>Is the program designed to have a significant impact in addressing the interest, problem or need?</i>	Yes	Roughly 95% of Federal revenues come from IRS tax collections. The collection program contributes to this total directly and provides a deterrent to non-compliance.	The Collection Program produced \$18.2 billion in revenue in FY 2001.	20%	0.2
4 <i>Is the program designed to make a unique contribution in addressing the interest, problem or need (i.e., not needlessly redundant of any other Federal, state, local or private efforts)?</i>	Yes	The IRS is the only entity which collects debt for almost all Federal taxes.	There are several organizations which collect non-tax or excise tax Federal debt (e.g., Financial Management Service (FMS) and the Bureau of Alcohol, Tobacco and Firearms (ATF)).	20%	0.2
5 <i>Is the program optimally designed to address the interest, problem or need?</i>	Yes	IRS uses a range of tools to collect delinquent taxes (e.g., notices, phones calls, liens, etc.). IRS believes its program can be much more effective. It is in the process of modernizing and reengineering its collection activities. It is also looking at the possible use of private collection contractors to supplement its activities. However, these options use the same basic mechanisms to secure delinquent taxes.	IRS's modernization plans are detailed in "Modernizing America's Tax Agency" (IRS Publication #3349, 2-1999) written by Commissioner Rossotti and in the IRS strategic plan.	20%	0.2
<b>Total Section Score</b>				<b>100%</b>	<b>100%</b>

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
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**Section II: Strategic Planning (Yes, No, N/A)**

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 <i>Does the program have a limited number of specific, ambitious long-term performance goals that focus on outcomes and meaningfully reflect the purpose of the program?</i>	No	Compliance is one of the most important outcomes affected by IRS activities and also one of the most difficult to measure. IRS does not currently have performance goals for compliance. However, to arrive at the percentage of taxes actually paid if everyone paid what was due under the law, IRS is starting to measure three critical components: Filing Compliance, Payment Compliance and Reporting Compliance. Payment compliance is the outcome of collection efforts. IRS has also developed a measure of the potentially collectable inventory (unpaid taxes) to help it track collection efforts.	In FY 2002, under its National Research Program, IRS defined the data sources and methodology to measure the components of compliance and potentially collectable inventory, and is establishing baseline data. IRS will set performance goals once baselines have been established.	20%	0.0
2 <i>Does the program have a limited number of annual performance goals that demonstrate progress toward achieving the long-term goals?</i>	Yes	IRS uses specific, useful, "balanced measures" to help manage its collection functions. These include measures of customer satisfaction, employee satisfaction and business results (including quality and quantity). For many measures, results are reported monthly.	Current collection measures include number of cases closed, case quality (random sample reviewed by third party), customer service (random samples) and employee satisfaction (Treasury's FY 2003 Congressional Justification page TLE-16).	20%	0.2
3 <i>Do all partners (grantees, sub-grantees, contractors, etc.) support program planning efforts by committing to the annual and/or long-term goals of the program?</i>	N/A	IRS currently handles collection work in-house.	The Financial Management Service runs a related payment offset program which collects a portion of tax debt.	0%	

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
4	<i>Does the program collaborate and coordinate effectively with related programs that share similar goals and objectives?</i>	N/A	IRS is the only entity enforcing most Federal tax laws.		0%	
5	<i>Are independent and quality evaluations of sufficient scope conducted on a regular basis or as needed to fill gaps in performance information to support program improvements and evaluate effectiveness?</i>	Yes	GAO and the Tax IG regularly audit all IRS programs. In addition, IRS has an integrated evaluation, planning and budgeting process to ensure ongoing feedback and improvement. Finally, IRS's new National Research Program will provide data on outcomes (i.e., payment compliance).	IRS has a dedicated IG and is continually subject to GAO audits. These audits provide a regular stream of information on collection programs.	20%	0.2
6	<i>Is the program budget aligned with the program goals in such a way that the impact of funding, policy, and legislative changes on performance is readily known?</i>	Yes	IRS has specific collection subactivities and uses them to link budget levels with annual performance goals. However, with its current systems IRS cannot determine the full cost of individual activities. Instead, IRS managers link collection staffing levels to performance targets. IRS is in the process of modernizing its financial systems.	The FY 2003 IRS Congressional Justification includes the current budget structure and links subactivity funding levels to performance targets. GAO's FY 2001 IRS financial audit comments that current IRS systems cannot determine costs by activity.	20%	0.2
7	<i>Has the program taken meaningful steps to address its strategic planning deficiencies?</i>	Yes	IRS has a robust Strategic Planning, Budgeting and Performance Management process led by the Commissioner and his management team. This process allows IRS to set priorities and performance targets for collection and other programs and adjust to changing circumstances.	IRS is implementing a technology modernization/reengineering project to improve collection. It has also taken near term actions to improve performance such as centralizing processing of Offers-in-Compromise requests.	20%	0.2
<b>Total Section Score</b>					<b>100%</b>	<b>80%</b>

	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
<b>Section III: Program Management (Yes,No, N/A)</b>						
	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1	<i>Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?</i>	Yes	IRS has developed a useful "balanced measures" system for each function. Results for most measures are reported monthly or quarterly. Detailed reports are available to managers via IRS's intranet and regular business reviews are held to discuss progress and make adjustments.	IRS makes a number of adjustments to its operational plans though the year based on actual budget and performance information. For example, in 2002 IRS found that new centralized Offers-in-Compromise functions had created workload imbalances in field offices. Workload was redirected.	16%	0.2
2	<i>Are Federal managers and program partners (grantees, subgrantees, contractors, etc.) held accountable for cost, schedule and performance results?</i>	Yes	IRS has linked its personnel evaluations to its strategic goals and measures. However, individuals are not evaluated on quantitative goals, but on qualitative factors helping IRS reach its goals. Note: IRS is prohibited by law from evaluating any employee on "measures of enforcement results."	IRS managers are evaluated based on achieving "commitments" outlined in their individual plans. These commitments are actions designed to move the bureau towards its goals.	16%	0.2
3	<i>Are all funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?</i>	Yes	This program is funded through an annual salaries and expenses account and follows a predictable spending pattern largely driven by payroll costs.	During FY 2001, IRS's Collection program obligated 99.9% of its funds. Projected obligations for FY 2002 are at 99.6%.	4%	0.04
4	<i>Does the program have incentives and procedures (e.g., competitive sourcing/cost comparisons, IT improvements) to measure and achieve efficiencies and cost effectiveness in program execution?</i>	Yes	IRS has a variety of unit cost and timeliness measures in its internal performance management system which it uses to help manage for improved efficiency. It also is implementing a major technology modernization/reengineering project to improve collection performance.	IRS uses several "closures per staff year" measures as a proxy for unit cost and cycle time measures for timeliness. However, IRS's use of productivity measures is limited because IRS is prohibited by law from evaluating any employee on "measures of enforcement results."	16%	0.2



	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
5	<i>Does the agency estimate and budget for the full annual costs of operating the program (including all administrative costs and allocated overhead) so that program performance changes are identified with changes in funding levels?</i>	No	IRS has specific collection subactivities reported in its budget under the overall Compliance Services budget activity. However, because over a third of IRS's resources are in support budget activities, the collection subactivities understate total spending. Further, per GAO, IRS systems are not capable of determining the cost of individual activities.	The FY 2003 IRS Congressional Justification includes the current budget structure. IRS is modernizing its financial systems which should improve cost accounting.	16%	0.0
6	<i>Does the program use strong financial management practices?</i>	No	GAO cites weaknesses in IRS's systems for tracking unpaid tax assessments and budgetary resources. In the long run, IRS's ongoing technology modernization program should resolve these problems.	See GAO's FY 2001 IRS financial audit.	16%	0.0
7	<i>Has the program taken meaningful steps to address its management deficiencies?</i>	Yes	IRS's strategic planning process identifies program issues and sets strategies and priorities for improvements. As a result, it is making a number of improvements in the collection program.	IRS has centralized Offers-in-Compromise processing in 2002 and is working to centralize Automated Substitute for Return processing in 2004. It has initiated the National Research Program which will provide a rich data set to improve its understanding of non-compliance and targeting. It is working to resolve material weaknesses through modernization and process changes. Finally, it is modernizing its technology and reengineering its collection processes to use "risk based" approaches.	16%	0.2
<b>Total Section Score</b>					<b>100%</b>	<b>68%</b>

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
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**Section IV: Program Results (Yes, Large Extent, Small Extent, No)**

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
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1	<i>Has the program demonstrated adequate progress in achieving its long-term outcome goal(s)?</i>	No	Collection outputs have dropped in recent years due to resource, legislative change and productivity issues. While IRS cannot yet measure whether it is achieving its goals (payment compliance), it is likely, based on collection output data, that collection is less successful than during the 1990s. However, collection does yield a substantial revenue return.	GAO data shows that unpaid assessments are growing (\$239B in 2001, of which only about \$20B is "collectable") and many cases are closed without being worked (650,000 cases in 1999). Collection cases closed are down 60% since 1999.	30%	0.0
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Long-Term Goal I:	"Service to all Taxpayers" including "Increase fairness of compliance" and "Increase overall compliance"				
Target:	None set				
Actual Progress achieved toward goal:	In FY 2001, collection produced \$18.2 Billion in revenue with a budget of \$0.83 billion				
Long-Term Goal II:					
Target:					
Actual Progress achieved toward goal:					
Long-Term Goal III:					
Target:					
Actual Progress achieved toward goal:					

2	<i>Does the program (including program partners) achieve its annual performance goals?</i>	Small Extent	In 2001, IRS missed most of its collection performance goals as set out in Treasury's FY 2001 performance report.	See Treasury's FY 2001 annual performance report.	20%	0.1
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Key Goal I:	"Service to all Taxpayers" including "Increase fairness of compliance" and "Increase overall compliance"				
Performance Target:	Automated Commercial System case Closures, Taxpayer Delinquent Accounts: 1,655,000				
Actual Performance:	Automated Commercial System case Closures, Taxpayer Delinquent Accounts: 1,006,600				
Key Goal II:	"Service to all Taxpayers" including "Increase fairness of compliance" and "Increase overall compliance"				
Performance Target:	FY 2002 Field Collection Cases Closed, Taxpayer Delinquent Accounts: 804,085				
Actual Performance:	FY 2002 Field Collection Cases Closed, Taxpayer Delinquent Accounts: 724,430				
Key Goal III:	"Service to all Taxpayers" including "Increase fairness of compliance" and "Increase overall compliance"				
Performance Target:	FY 2002 Field Collection Quality: 85%				
Actual Performance:	FY 2002 Field Collection Quality: 84%				

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
3	<i>Does the program demonstrate improved efficiencies and cost effectiveness in achieving program goals each year?</i>	No	Collection productivity has declined since the 1998 passage of the Restructuring and Reform Act which imposed new procedural and taxpayer rights requirements on IRS. However, IRS is implementing performance improvement initiatives and technology modernization resulting from reengineering studies which should improve productivity.	IRS's internal performance data shows the recent history of collection productivity based on cases closed per FTE. IRS's internal performance plans include productivity improvements for FY 2003 (e.g., 11% increase in cases closed per field FTE).	20%	0.0
4	<i>Does the performance of this program compare favorably to other programs with similar purpose and goals?</i>	N/A	There are many other debt collection programs. However, there are significant differences in the kinds of debt collected.		0%	
5	<i>Do independent and quality evaluations of this program indicate that the program is effective and achieving results?</i>	Small Extent	IRS Collection programs have been the subject of numerous GAO and IG reviews. While these reviews have identified management control deficiencies and improvement opportunities, they generally have validated the effectiveness of the Collection program. They also have noted IRS's inability within current resources and technology to meet workload requirements.	Various IG and GAO reports cover all or portions of collection (GAO: 02-674 Tax Administration of Compliance and Collection Program, TIGTA: 2001-30-115: Revenue Officers used effective collection techniques when securing delinquent returns).	30%	0.1
<b>Total Section Score</b>					<b>100%</b>	<b>17%</b>

## PART Performance Measurements

**Program:** IRS Taxpayer Advocate Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Moderately
100%	100%	84%	75%	Effective

**1.1 Is the program purpose clear?**

Answer: YES

Question Weight 20%

**Explanation:** The Office of the Taxpayer Advocate (Advocate) was established in legislation to make certain that taxpayers had an independent advocate within the IRS to resolve individual problems and to propose solutions to systemic problems. Its mission is to: 1. Assist taxpayers in resolving problems with the IRS; 2. Identify areas in which taxpayers have problems in dealing with the IRS; 3. Propose changes in the administrative practices of the IRS to mitigate those problems where possible; and 4. Identify potential legislative changes which may be appropriate to mitigate such problems.

**Evidence:** The functions of the Advocate are prescribed by Internal Revenue Code Section 7803(c)(2). The statute specifies that the Advocate identify and propose both administrative and legislative recommendations that will mitigate taxpayer problems. Cases are accepted into the Advocate program based on criteria established by Internal Revenue Code Section 7811. The specific criteria for Advocate's acceptance of a taxpayer case fall into one of two major categories: financial/economic hardship and systemic hardship. See the National Taxpayer Advocate 2003 Annual Report to Congress.

**1.2 Does the program address a specific and existing problem, interest or need?**

Answer: YES

Question Weight 20%

**Explanation:** As a result of the Senate Finance Committee hearings of 1997, Congress concluded that some taxpayers were not being treated fairly or equitably by the IRS. The IRS Restructuring and Reform Act of 1998 established the Advocate to function as an independent entity within the IRS to represent taxpayers and to protect their rights in their dealings with IRS. The Advocate is responsible for resolving taxpayer problems on both a case-by-case and a systemic basis.

**Evidence:** Despite continuing improvements in IRS' taxpayer service and strengthened statutory taxpayer rights, the Advocate is still needed in some cases to ensure fair treatment. During FY 2003, the Advocate provided assistance to 205,053 taxpayers who met criteria as defined in Internal Revenue Code Section 7811.

**1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?**

Answer: YES

Question Weight 20%

**Explanation:** The Advocate plays a unique role in IRS. He/she is charged to act on the taxpayer's behalf both in specific cases and system-wide. He/she is the only employee of the IRS who is allowed and required by statute to publicly take positions on taxpayer issues regardless of whether or not they differ from official IRS positions.

**Evidence:** Other IRS offices provide service and assistance to taxpayers. IRS' Appeals function even operates independently from other IRS enforcement functions to act as an unbiased arbitrator. However, none have the independence and broad authority of the Advocate.

**1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency?**

Answer: YES

Question Weight 20%

**Explanation:** There is no evidence that an alternative structure would be more effective or efficient in delivering advocate services.

**Evidence:** Improved service by IRS front-line divisions would reduce the need for the Advocate. If IRS handled all taxpayer cases accurately and fairly in the first place, there would be no need for the Advocate's support. However, given the size and complexity of the tax system, this is unlikely.

## PART Performance Measurements

**Program:** IRS Taxpayer Advocate Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Moderately
100%	100%	84%	75%	Effective

**1.5**      **Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?**      Answer: YES      Question Weight: 20%

**Explanation:** The Advocate's position was created by statute to make certain that taxpayers with serious problems with IRS had recourse if normal IRS systems failed. IRS uses a variety of means to inform taxpayers of their option of contacting the Advocate, including publishing its toll free number in many publications and notices.

**Evidence:** The Advocate accepts taxpayer cases based on 7 criteria, five of which are statutory (26 USC 7811(a)). There is some risk that taxpayers will use the advocate to solve normal problems rather than regular IRS systems. This would raise overall costs. In future program evaluations, the Advocate should seek information on this question.

**2.1**      **Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?**      Answer: YES      Question Weight: 14%

**Explanation:** The Advocate uses balanced measures to track its success in solving taxpayer problems. This includes case quality, customer satisfaction and closure to receipt ratio. Together these indicate the degree of Advocate success in achieving its goal of helping taxpayers resolve problems with IRS.

**Evidence:** See IRS's annual performance plans and the Advocate's Strategy and Program Plans and National Taxpayer's Advocate Report to Congress Fiscal Year 2005 Objectives. Both case quality and customer satisfaction (surveys) are based on a random sample of actual cases.

**2.2**      **Does the program have ambitious targets and timeframes for its long-term measures?**      Answer: YES      Question Weight: 14%

**Explanation:** The Advocate set long term goals for closure to receipts, case quality and customer satisfaction in its National Taxpayer's Advocate Report to Congress Fiscal Year 2005 Objectives.

**Evidence:** Goals include 100% closure to receipts for now through 2010, 95% case quality by 2009, and 4.53 (out of 5) customer satisfaction by 2009.

**2.3**      **Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?**      Answer: YES      Question Weight: 14%

**Explanation:** The Advocate uses the same balanced measures for annual progress as for long term progress (i.e., quality, customer satisfaction and closure to receipt ratio). It is adding "number of systemic hardship cases" as an efficiency measure starting in 2005. It needs to add a unit cost measure for its casework and explore other possible measures of its systemic advocacy function.

**Evidence:** See IRS's annual performance plans and the Advocate's Strategy and Program Plans and National Taxpayer's Advocate Report to Congress Fiscal Year 2005 Objectives.

**2.4**      **Does the program have baselines and ambitious targets for its annual measures?**      Answer: YES      Question Weight: 14%

**Explanation:** The Advocate has ambitious targets for its closure to receipts ratio and quality annual measures. Starting in 2005, it will begin setting ambitious goals for customer satisfaction and introduce a new efficiency measure.

**Evidence:** See IRS's annual performance plans and the Advocate's Strategy and Program Plans.

## PART Performance Measurements

**Program:** IRS Taxpayer Advocate Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Moderately
100%	100%	84%	75%	Effective

**2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?** Answer: NA Question Weight: 0%

Explanation: The Advocate provides support directly to taxpayers rather than working through partner agencies.

Evidence: The Advocate does cooperate closely with other IRS units in ensuring fair treatment of taxpayers and promoting systemic improvements. IRS also runs several grant programs to assist taxpayers (e.g., Low Income Taxpayer Clinics). However, these are not covered in this evaluation.

**2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?** Answer: YES Question Weight: 14%

Explanation: The Advocate is subject to regular IG audits looking at various aspects of its performance. They often include auditors examining a sample of cases to independently determine whether Advocate case workers reacted correctly. Collectively, these audits provide an independent, quality assessment of the Advocate's success in helping taxpayers resolve IRS problems.

Evidence: Examples of recent IG reports include: The Taxpayer Advocate Service Effectively Responded to Taxpayers Requesting Relief from a Significant Hardship 2001-10-073; The National Taxpayer Advocate Has Improved the Quality of Casework, but Continued Vigilance is Needed to Increase Compliance with Quality Standards 2003-10-074; and The NTA Could Enhance the Management of Systemic Advocacy Resources 2003-10-187.

**2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?** Answer: YES Question Weight: 14%

Explanation: IRS has a rigorous planning, budgeting and performance management process that integrates performance planning and budgeting.

Evidence: See Treasury's integrated budget and performance plan. While IRS presents integrated performance plans and budgets, it needs to continue to refine its systems for quantifying the specific performance impacts of specific resource changes. However, IRS has committed to improving this process for the 2006 budget cycle. IRS is also proposing a new budget structure in 2006 which shows the full costs of programs such as the Advocate.

**2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies?** Answer: YES Question Weight: 14%

Explanation: IRS and the Advocate have processes to focus on and improve management and performance. It has set long term goals and is introducing a new efficiency measure (number of systemic hardship cases). In addition to these efforts, the Advocate should introduce a unit cost measure for its casework and work to find additional independent sources of program evaluation information.

Evidence:

## PART Performance Measurements

**Program:** IRS Taxpayer Advocate Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Moderately
100%	100%	84%	75%	Effective

**3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?**      Answer: YES      Question Weight: 16%

**Explanation:** The Advocate regularly collects and analyzes performance and workload data. It also receives input from several Taxpayer Advocate Panels (citizen advisory committees). This data is used both to improve the Advocate's casework and to guide recommendations for systemic improvements.

**Evidence:** IRS managers receive monthly reports on the Advocate's and other IRS programs' performance. Every quarter the Advocate personally presents a full performance report to senior IRS leaders. One example of using performance data to improve performance is efforts by the Advocate to improve case quality by tailoring employee training to emphasize areas where quality standards have not been met at acceptable levels. This has contributed to the steady case quality improvements since 2001.

**3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?**      Answer: YES      Question Weight: 16%

**Explanation:** The performance appraisals of Advocate managers are tied to organizational goals by setting "commitments" based on organizational goals for each manager.

**Evidence:** IRS uses a four step Performance Management System (PMS) process to ensure management accountability for achieving strategic goals. The key features of the PMS process are expectations planning, progress monitoring, performance evaluation and performance recognition. Performance commitments and expectations are developed, during the planning stage, that tie strategic business goals with demonstrable actions. Progress toward business goals are monitored throughout the performance cycle. Managers are evaluated annually and recognized accordingly.

**3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?**      Answer: YES      Question Weight: 5%

**Explanation:** The Advocate's budget is primarily salaries and direct expenses. It is annually assigned a financial plan by IRS's CFO and manages against that plan.

**Evidence:** Per IRS's financial reports, the appropriation which funds the Advocate (Tax Law Enforcement) has ended each year with a responsible level of unobligated balances at year end.

**3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?**      Answer: YES      Question Weight: 16%

**Explanation:** The Advocate is adding "number of systemic hardship cases" as an efficiency measure starting in 2005. It has presented data on this measure back to 2001. It should also move to measuring unit cost for its casework.

**Evidence:** This new efficiency measure will be presented in IRS's 2006 Budget.

## PART Performance Measurements

**Program:** IRS Taxpayer Advocate Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Moderately
100%	100%	84%	75%	Effective

**3.5 Does the program collaborate and coordinate effectively with related programs?** Answer: YES Question Weight: 16%

**Explanation:** The Advocate collaborates closely with other IRS divisions in day to day case work and in systemic improvements. It also keeps in close contact with taxpayer representative groups outside of government.

**Evidence:** Recent examples of the Advocate's coordination include: ensuring taxpayer rights in the design of the private collection agent and earned income tax credit error reduction initiatives and redesign of procedures in the offers in compromise program.

**3.6 Does the program use strong financial management practices?** Answer: NO Question Weight: 16%

**Explanation:** Weaknesses in IRS' financial systems result in a lack of reliable day-to-day management data. IRS is in the process of implementing a modernized financial management system for its administrative programs.

**Evidence:** Per GAO 2003 report on the IRS financial audit (GAO-04-126): IRS lacks "a financial management system that can produce timely, accurate, and useful information needed for day to day decisions."

**3.7 Has the program taken meaningful steps to address its management deficiencies?** Answer: YES Question Weight: 16%

**Explanation:** IRS is in the process of implementing a new administrative financial accounting system (October 2004) to address the problems outlined in question 3.6. It has committed to introduce unit cost measures once this new system is functional.

**Evidence:** See IRS' Business Systems Modernization spending plans.

**4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals?** Answer: LARGE EXTENT Question Weight: 25%

**Explanation:** As shown by its performance measures, the Advocate has made progress in improving case quality and in working through its case inventory. It has seen a steady decline in systemic hardship cases which it believes results from its efforts to guide improvements in IRS processes. However, it has not yet shown improvements in customer satisfaction scores (already above a 4 on a 5 point scale).

**Evidence:** See IRS's annual performance reports and internal Budget and Performance Review System reports. Case quality has improved from 71 percent in 2001 to 90 percent in 2004. Closures have exceeded receipts for three years in a row, reflecting the Advocate's success in reducing its backlog of cases. Customer satisfaction has remained above 4 on a 5 point scale.

**4.2 Does the program (including program partners) achieve its annual performance goals?** Answer: LARGE EXTENT Question Weight: 25%

**Explanation:** As noted in question 4.1 above, the Advocate has made progress in improving case quality and in working through its case inventory. Case quality has improved from 71 percent in 2001 to 90 percent in 2004.

**Evidence:** See IRS's annual performance reports and internal Budget and Performance Review System reports.



## PART Performance Measurements

**Program:** IRS Taxpayer Advocate Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Moderately
100%	100%	84%	75%	Effective

**4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?** Answer: YES Question Weight: 25%

**Explanation:** The Advocate is introducing a measure of the number of systemic hardship cases referred to the Advocate as a proxy measure for its success in helping IRS to fix problems with its systems that unnecessarily cause taxpayer problems. This measure has shown a steady decline (improvement) since 2001.

**Evidence:** Systemic hardship cases have declined from 217,000 in 2001 to an 2004 projected level of 131,000. It is possible that factors other than the Advocate's efforts impact this measure (e.g., changes in the quantity or program mix of IRS enforcement efforts). This may reduce the value of this metric for measuring the Advocate's performance.

**4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?** Answer: NA Question Weight: 0%

**Explanation:** There are a number of other ombudsmen offices for state and federal programs. However, none are close enough in structure or mission to the advocate for valid comparisons.

**Evidence:** See the Advocate's 2003 study of external ombudsmen within the federal government: Independent Advocacy Agencies Within Agencies: A Survey of Federal Agency External Ombudsmen (Publication 4213, IRS Catalog Number 36988J, available at [www.irs.gov](http://www.irs.gov)).

**4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?** Answer: LARGE EXTENT Question Weight: 25%

**Explanation:** A number of evaluations by the Tax IG note the Advocate's effectiveness in casework. The Advocate should seek other sources of independent evaluation to supplement the IG's work. It should also seek evaluation efforts on its systemic advocacy efforts.

**Evidence:** An example of the IG's evaluation efforts includes a 2003 IG report that the Advocate had "improved the quality of taxpayer service and case resolutions," but noted continuing needs to further improve compliance with case quality standards (200310074).

## PART Performance Measurements

**Program:** IRS Taxpayer Advocate Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Moderately
100%	100%	84%	75%	Effective

**Measure:** Case Closure to Receipt Ratio (Shows the Advocate's ability to keep up with its taxpayer problem case workload. Greater than 100 percent indicates case inventory is dropping.)

**Additional Information:** Shows the Advocate's ability to keep up with its taxpayer problem case workload. Greater than 100 percent indicates case inventory is dropping.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2001	Baseline	98%	
2002	100%	108%	
2003	100%	105%	
2004	100%	101%	
2005	100%		
2006	100%		
2010	100%		

**Measure:** Casework Quality (Quality based on independent evaluation of eight quality standards for a random sample of Advocate taxpayer problem cases.)

**Additional Information:** Quality based on independent evaluation of eight quality standards for a random sample of Advocate taxpayer problem cases.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2001	baseline	71.5%	
2002	80%	78.4%	
2003	90%	84.7%	
2004	90%	90.5%	
2005	91%		

## PART Performance Measurements

**Program:** IRS Taxpayer Advocate Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Moderately
100%	100%	84%	75%	Effective

2006                      92%

2009                      95%

**Measure:** Customer Satisfaction with Advocate Assistance (Based on random surveys, 5-point scale with 1 = very dissatisfied and 5 = very satisfied.)

**Additional Information:** Satisfaction of taxpayers receiving assistance from the Advocate based on random surveys (5-point scale with 1 = very dissatisfied and 5 = very satisfied).

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2001		4.27	
2002		4.33	
2003		4.30	
2004		4.30	
2005	4.35		
2006	4.40		
2009	4.53		

**Measure:** Advocate Systemic Hardship Case Receipts

**Additional Information:** The Advocate identifies and helps IRS resolve systemic problems that lead to taxpayer hardship. This measure captures the total cases received as a result of IRS systemic problems. This total should drop as a result of Advocate activity.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2001		217,081	
2002		182,059	
2003		152,835	
2004			

## PART Performance Measurements

**Program:** IRS Taxpayer Advocate Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

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Section Scores				Rating
1	2	3	4	Moderately
100%	100%	84%	75%	Effective

2005

2006

## PART Performance Measurements

**Program:** IRS Taxpayer Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	86%	68%	33%	

**1.1 Is the program purpose clear?**

Answer: YES

Question Weight 20%

**Explanation:** The program's purpose is to reduce taxpayer burden by providing professional and courteous service to customers. This is accomplished by responding accurately to individual and practitioner technical and account inquiries, resolving customer account issues and providing account settlement (payment) options. Casework involves telephone calls, written correspondence, e-mail, and face-to-face assistance. Taxpayers serviced by the program gain a better understanding of tax laws, tax obligations and responsibilities relating to tax compliance. Employees are equipped with the necessary tools and training to provide everyday tax solutions and one-stop quality service. Services offered include tax law assistance, education and resolution of accounts and collection work.

**Evidence:** IRS' mission is laid out in its strategic plan and emphasizes customer service as required by the 1998 Restructuring Act. The purpose of its customer service programs is further detailed in the Internal Revenue Manual (IRM 1.1.13.10.4 p.60 "Organization and Staffing, Wage & Investment Division"). See also the IRS Restructuring and Reform Act of 1998, the Wage & Investment and Small Business/Self Employed Strategy and Program Plan, the Customer Accounts Services Concept of Operations, the Field Assistance mission statement IRM 1.1.13.9.6 and Concept of Operations.

**1.2 Does the program address a specific and existing problem, interest or need?**

Answer: YES

Question Weight 20%

**Explanation:** The Customer Service program addresses the specific needs of the taxpaying public for assistance in completing required tax forms, understanding employment tax laws and responding completely to notices, bills, and letters issued by the IRS.

**Evidence:** In our nation's self assessment tax system, taxpayers must understand complex rules for preparing tax returns and responding to correspondence from IRS. 130 million individual taxpayers and millions of businesses interact with IRS each year (see IRS Data Book table 2). Customer service functions help these taxpayers understand tax requirements.

**1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?**

Answer: YES

Question Weight 20%

**Explanation:** The IRS is the primary point of taxpayer contact for individual and business tax account assistance within the government. In many cases responding to taxpayer questions requires access to taxpayer data which is only legally available to IRS.

**Evidence:** Tax assistance is also available from for profit and nonprofit organizations. The nonprofits complement IRS services and some are partially supported by IRS grant programs. However, these grant programs are not included in this evaluation.

**1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency?**

Answer: YES

Question Weight 20%

**Explanation:** There is no evidence that an alternative structure would be more effective or efficient in delivering customer service. However, IRS does work to improve service and deploy alternative delivery methods (e.g., use of the internet rather than phones or correspondence).

**Evidence:** IRS uses a rich set of performance metrics to monitor and improve performance. Numerous General Accounting Office (GAO) and Tax Inspector General (IG) studies have also helped guide recent improvements in service levels.

## PART Performance Measurements

**Program:** IRS Taxpayer Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	86%	68%	33%	

**1.5**      **Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?**      Answer: YES      Question Weight: 20%

**Explanation:** IRS' customer service programs are intended to benefit all taxpayers in need of assistance. So, IRS' challenge is not so much targeting specific taxpayers as it is making sure that all taxpayers have access to efficient means to receive services. IRS uses a variety of means to reach taxpayers (web, phone, walk-in sites, and correspondence) and has recently introduced more language options. While improvements are still needed, IRS services are available to the vast majority of potential users.

**Evidence:** IRS' efforts to provide customer service are detailed in its strategic plan, performance plan, performance reports, and taxpayer publications.

**2.1**      **Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?**      Answer: YES      Question Weight: 14%

**Explanation:** Customer Service uses balanced measures for each of its sub-programs to track its success. These consist of measures of quantity, quality/accuracy and customer satisfaction. Telephone service has a measure of taxpayer success in reaching a live assister (level of service). The purpose of taxpayer service is to reduce taxpayer burden by providing professional and courteous service to customers. Taken together, IRS' balanced measures indicate IRS' success in meeting its goals (outcome).

**Evidence:** See IRS' annual performance plan and internal business unit Strategy and Program plans and Business Performance Review System reports for details on performance measures. Quality and customer satisfaction measures are based on random samples of actual customer interactions.

**2.2**      **Does the program have ambitious targets and timeframes for its long-term measures?**      Answer: NO      Question Weight: 14%

**Explanation:** While IRS has solid customer service performance measures, it has not yet set long term-goals. IRS has committed setting long term-goals in 2005.

**Evidence:** See IRS' strategic plan.

**2.3**      **Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?**      Answer: YES      Question Weight: 14%

**Explanation:** Customer Service uses the same balanced measures for annual progress as for long term progress (i.e., quality, customer satisfaction and telephone level of service). IRS has committed to introducing an efficiency measure (customer contacts per FTE) for this program. IRS should work to develop cost-based (rather than FTE-based) efficiency measures.

**Evidence:** See IRS' annual performance plan and internal business unit Strategy and Program plans and Business Performance Review System reports for details on performance measures. Quality and customer satisfaction measures are based on random samples of actual customer interactions.

**2.4**      **Does the program have baselines and ambitious targets for its annual measures?**      Answer: YES      Question Weight: 14%

**Explanation:** Customer service has set ambitious targets for improvement. Targets are set annually through IRS' integrated budget and performance management planning process.

**Evidence:** See IRS' annual performance plan and internal business unit Strategy and Program plans and Business Performance Review System reports for details on performance measures and targets.

## PART Performance Measurements

**Program:** IRS Taxpayer Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	86%	68%	33%	

**2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?** Answer: NA Question Weight: 0%

Explanation: IRS provides customer service support directly to taxpayers rather than working through partner agencies.

Evidence: Customer service functions do cooperate with other IRS functions to effectively serve taxpayers. IRS also runs several grant programs to assist taxpayers (e.g., Low Income Taxpayer Clinics). However, these are not covered as part of this program.

**2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?** Answer: YES Question Weight: 14%

Explanation: The IRS has extensive internal processes to look at performance and hires contractors to research customer service and satisfaction. In addition, these programs are frequently subject to IG and GAO audits. The IG regularly tests the accuracy of field office tax law assistance. GAO completes an annual audit of the tax filing season including a review of customer service functions. These audits provide an independent, quality assessment of customer service success in achieving its goal of providing "professional and courteous service." They often include auditor tests of IRS systems or reviews of samples of customer interactions. However, these audits have not yet provided data on the impact of customer service programs on IRS' ultimate compliance mission.

Evidence: Examples of evaluations include: GAO-04-84 IRS's 2003 Filing Season Showed Improvements, Tax IG-200440090 Taxpayer Assistance Center Employees Correctly Answered More Tax Law Questions During November and December 2003 Than Compared to One Year Ago, Tax IG-200440057 Toll-free Assistance to Taxpayers Is Professional and Timely, and Tax IG-200430038 Access to the Toll-free Telephone System Was Significantly Improved.

**2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?** Answer: YES Question Weight: 14%

Explanation: IRS has a rigorous planning, budgeting and performance management process that integrates performance planning and budgeting. Budget requests are built around identified performance gaps and include expected performance increases.

Evidence: See Treasury's integrated budget and performance plan. While IRS presents integrated performance plans and budgets, it needs to continue to refine its systems for quantifying the specific performance impacts of specific resource changes. However, IRS has committed to improving this process for the 2006 budget cycle. IRS is also proposing a new budget structure in 2006 which shows the full costs of programs such as customer service.

**2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies?** Answer: YES Question Weight: 14%

Explanation: IRS has processes to focus on and improve management and performance. IRS has also agreed to add an efficiency measure in 2006 and set long term goals for its performance measures in 2005. In addition to these efforts, IRS should research the impact of customer service on compliance.

Evidence: IRS plans to begin using a "closures per FTE" efficiency measure for its correspondence unit in 2006.

## PART Performance Measurements

**Program:** IRS Taxpayer Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	86%	68%	33%	

**3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?** Answer: YES Question Weight: 16%

**Explanation:** The IRS collects a great deal of performance information. Measures are reviewed monthly at the corporate level and continuing improvement efforts are made to achieve annual goals. Site level performance measures are captured on a weekly basis and distributed and discussed with field personnel. Toll-free telephone performance by half hour, stratified by 58 separate applications is continually monitored for needed staffing shifts each day. Customer satisfaction surveys of taxpayers are conducted continually, with quarterly and annual reports by site and program. These results are analyzed as feedback to managerial actions previously taken to improve taxpayer service.

**Evidence:** IRS collection and use of measurement information is shown in its quarterly Business Performance Review System reports and other internal and external performance documents. For example, in January of 2004 IRS used its performance reporting system to identify a drop in telephone service accuracy. It took management action (e.g., training) within weeks to improve service to expected levels.

**3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?** Answer: YES Question Weight: 16%

**Explanation:** Managers are evaluated based on achieving "commitments" outlined in their performance plans. These commitments are actions designed to move the Customer Service program toward its goals.

**Evidence:** IRS uses a four step Performance Management System (PMS) process to ensure management accountability for achieving strategic goals. The key features of the PMS process are expectations planning, progress monitoring, performance evaluation and performance recognition. Performance commitments and expectations are developed, during the planning stage, that tie strategic business goals with demonstrable actions. Progress toward business goals are monitored throughout the performance cycle. Managers are evaluated annually and recognized accordingly.

**3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?** Answer: YES Question Weight: 5%

**Explanation:** IRS has consistently spent its largely salaries and expenses operating funds in a timely manner and for the intended purposes.

**Evidence:** See GAO-04-126 Financial Audit: IRS's Fiscal Years 2003 and 2002 Financial Statements. IRS uses financial reports generated within the Automated Financial System (AFS), Business Performance Management System (BPMS) reports, Work Plans to plan and execute its budget.

**3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?** Answer: NO Question Weight: 16%

**Explanation:** IRS has committed to introducing an efficiency measure (contacts per FTE) for this program. However, it does not yet have data for this measure. It has begun to experiment with competitive sourcing for tax law telephones, but has not yet planned or completed major studies.

**Evidence:** See Treasury's integrated budget and performance plan.



## PART Performance Measurements

**Program:** IRS Taxpayer Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	86%	68%	33%	

**3.5 Does the program collaborate and coordinate effectively with related programs?** Answer: YES Question Weight: 16%

**Explanation:** Customer service functions coordinate closely with other IRS offices, federal, state and private sector organizations to provide income tax assistance to taxpayers. Customer service completes detailed annual filing season planning and execution efforts and memorandums of understanding on a variety of cross division efforts.

**Evidence:** Examples include linking IRS, Small Business Administration and other web sites to make it easier for taxpayers to find answers to tax and related questions. In addition, IRS has joined with the Federal Emergency Management Agency (FEMA) to create teams to help victims of disasters get tax relief. IRS also teams up with state governments and/or private organizations to set up tax help sites in non-traditional locations (e.g., malls).

**3.6 Does the program use strong financial management practices?** Answer: NO Question Weight: 16%

**Explanation:** Weaknesses in IRS' financial systems result in a lack of reliable day-to-day management data. IRS is in the process of implementing a modernized financial management system for its administrative programs.

**Evidence:** Per GAO 2003 report on the IRS financial audit (GAO-04-126): IRS lacks "a financial management system that can produce timely, accurate, and useful information needed for day to day decisions."

**3.7 Has the program taken meaningful steps to address its management deficiencies?** Answer: YES Question Weight: 16%

**Explanation:** IRS is in the process of implementing a new administrative financial accounting system (October 2004) to address the problems outlined in question 3.6. It has committed to introduce unit cost measures once this new system is functional.

**Evidence:** See IRS' Business Systems Modernization spending plans.

**4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals?** Answer: SMALL EXTENT Question Weight: 25%

**Explanation:** As shown by its performance measures, the IRS has made progress in improving level of service and maintained high levels of customer satisfaction in telephone and walk-in service. However, accuracy remains a challenge in all its customer service programs, and IRS has not yet set long term targets. As a result, credit for this question is limited to "small extent." IRS plans to set long term goals in 2005.

**Evidence:** See Treasury's annual performance reports and IRS business unit Business Performance Review reports. IRS improved the percentage of taxpayer calls answered from just 62 percent in 2001 to 87 percent in 2004. For 2003 customer satisfaction was 95 percent for telephone service, 87 percent for walk-in service and 58 percent for correspondence.

**4.2 Does the program (including program partners) achieve its annual performance goals?** Answer: SMALL EXTENT Question Weight: 25%

**Explanation:** Customer service programs have a mixed record on achieving their performance goals. IRS' customer service programs have shown improvements in service but missed many of their performance goals for 2003 and FY 2004.

**Evidence:** As shown in its performance measures, In 2004 customer service achieved its performance goals for telephone level of service. It missed goals for telephone tax law accuracy and walk-in tax law accuracy.

## PART Performance Measurements

**Program:** IRS Taxpayer Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	86%	68%	33%	

**4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?**      Answer: NO      Question Weight 25%

Explanation: Customer Service does not currently measure efficiency. IRS has committed to introducing an efficiency measure (contacts per FTE) this program for the 2006 budget. It is likely that customer service has become more efficient due to greater use of the web, particularly products like "where's my refund" which divert customers from labor intensive telephone functions. However, any improvements cannot be demonstrated without efficiency measures.

Evidence:

**4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?**      Answer: NA      Question Weight: 0%

Explanation: IRS argues that due to both the complexity and volume of telephone calls, walk-in contacts and correspondence received there are no comparable programs either governmental or private. IRS' research division has conducted several reviews comparing its Customer Service operation to other government agencies as well as private industry. These reports conclude that there is no 'industry standard' and each organization must determine its own standards based on its unique circumstances. In conclusion the report states, "If other organizations are less rigorous about reporting (or even measuring) their accuracy than is IRS, and if IRS deals with a broader range on issues, some of which are more complex than are issues dealt with by other organizations, then IRS' attempts to balance performance with speed, accuracy, friendliness, etc. might make its measures non-comparable."

Evidence: See IRS Research projects: "Phone System Customer Service Metrics for Comparisons with Other Organizations."; "How Far are People Willing to Drive for a Service"; IRS Customer Travel Findings"; "Phone System Interactive Voice Response: Customer Service Metrics and Suggestions"; "Phone System Wait Time: Customer Service Metrics" and; "Phone System Call Abandonment."

**4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?**      Answer: LARGE EXTENT      Question Weight 25%

Explanation: Per evaluations by the Tax IG and GAO, IRS has improved its customer service significantly in recent years. Although problems remain - particularly with accuracy - improvements in management, technology and resources have led to improved telephone service and access to many products and services on the web.

Evidence: GAO noted service improvements in its GAO 04-84 IRS's 2003 Filing Season Showed Improvements. "While IRS provided significantly more accessible telephone service, the accuracy rate of IRS responses declined. The accuracy of tax law assistance provided at walk-in sites improved..."

## PART Performance Measurements

**Program:** IRS Taxpayer Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	86%	68%	33%	

**Measure:** Telephone Level of Service (The percent of time that taxpayers calling IRS toll-free operations successfully reach a live assister.)

**Additional Information:** The percent of time that taxpayers calling IRS toll-free operations successfully reach a live assister

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2001	55%	56	
2002	71.5%	68	
2003	72%	80%	
2004	83%	87%	
2005	82%		
2006	82%		

**Measure:** Tax Law Accuracy for Telephone Service (Percent of answers provided by IRS telephone assisters on tax law questions which are accurate.)

**Additional Information:** Percent of answers provided by IRS telephone assisters on tax law questions which are accurate

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2001	81.6%	79.5%	
2002	85%	84.4%	
2003	86%	82%	
2004	85%	80%	
2005	82%		
2006	84%		

## PART Performance Measurements

**Program:** IRS Taxpayer Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	86%	68%	33%	

**Measure:** Tax Law Accuracy for Walk-in Service (Percent of answers provided by IRS field assisters which are accurate.)

**Additional Information:** Percent of answers provided by IRS field assisters which are accurate

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2003		75%	
2004	80%	75%	
2005	81%		
2006	82%		

**Measure:** Accounts Accuracy for Telephone Service

**Additional Information:** Percent of answers provided by IRS telephone assisters on taxpayer accounts questions which are accurate

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2001	68.8%	88.7%	
2002	85%	90.4%	
2003	86%	88.2%	
2004	90.2%	89%	
2005	91.4%		
2006	92.4%		

## PART Performance Measurements

**Program:** IRS Taxpayer Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	86%	68%	33%	

**Measure:** Accuracy of Adjustments and Responses to Taxpayer Correspondence

**Additional Information:** Percent of adjustments to taxpayer accounts and answers to taxpayer issues provided by correspondence units which are accurate

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2003		87.6%	
2004	89.7%	87%	
2005	86.9%		
2006	87.6%		

**Measure:** Customer Satisfaction with Telephone Service

**Additional Information:** Percent of customers responding they are either satisfied or very satisfied with IRS' telephone service (based on surveys of a random group of recent customers).

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2003		95%	
2004	93%	93%	
2005	95%		
2006	95%		

**Measure:** Customer Satisfaction with Walk-in Service

**Additional Information:** Percent of customers responding they are either satisfied or very satisfied with IRS' walk-in service (based on surveys of a random group of recent customers).

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2001		90%	
2002		86%	

## PART Performance Measurements

**Program:** IRS Taxpayer Service  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	86%	68%	33%	

	2003	88%	87%
	2004	89%	89%
	2005	89%	
	2006	90%	

**Measure:** Customer Satisfaction with Correspondence Service

**Additional Information:** Percent of customers responding they are either satisfied or very satisfied with IRS' correspondence service (based on surveys of a random group of recent customers).

	<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
	2003		58%	
	2004	56%	66%	
	2005	58%		
	2006	65%		

**Measure:** Customer Contacts Per Staff Year

**Additional Information:** Total taxpayer contacts for IRS customer service programs (phones, internet, walk-in) divided by FTE used.

	<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
	2003			
	2004	baseline		
	2005	7261		
	2006	7283		

## PART Performance Measurements

**Program:** New Currency Manufacturing  
**Agency:** Department of the Treasury  
**Bureau:** Engraving & Printing  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	100%	100%	92%	

**1.1 Is the program purpose clear?**

Answer: YES

Question Weight 25%

**Explanation:** The Bureau of Engraving and Printing (BEP) was formally established on August 3, 1877. BEP operates on the basis of authority conferred upon the Secretary of Treasury by United States Code. 'The Secretary of the Treasury shall mint coins, engrave and print currency and security documents, and refine and assay bullion, and may strike medals.' The Bureau's mission is to securely and efficiently produce United States currency, postage stamps, and other government securities that satisfy the current and future needs of the American public and the government agencies which serve them.

**Evidence:** 31 U.S.C. 321(a)(4); FY 2004 Congressional Budget Submission (BEP-01)

**1.2 Does the program address a specific and existing problem, interest or need?**

Answer: YES

Question Weight 25%

**Explanation:** The government has an interest in preventing the circulation of counterfeit currency domestically and world-wide. New design currency, with deterrent features, is designed to prevent counterfeiting by digital and other reprographic technologies. By continually enhancing the security of U.S. currency the public's confidence and trust is maintained. Every year the public is harmed by the counterfeiting of United States currency and other U.S. obligations. A secure currency program helps to promote a stable U.S. and World economy by increasing citizens' "economic security."

**Evidence:** % of face value of currency in circulation that is counterfeit; % of currency notes delivered to the Federal Reserve that meet its quality requirements.

**1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?**

Answer: YES

Question Weight 25%

**Explanation:** There is no other Federal, State, or local governmental entity that produces U.S. currency. BEP's manufacturing operations are not similar to the manufacturing programs of the U.S. Mint. The technologies used to manufacture currency are different from those employed to mint coins. The major advantage of currency compared to coin is the adaptability of the currency substrate (paper or polymer) to new design features and/or elements that enhance the counterfeit deterrence characteristics. The range of design and counterfeit deterrent features that can be accommodated on metal for coins is quite limited in comparison. The limited capability to add counterfeit deterrent design elements is a principle factor in limiting its use in most parts of the world to fractional denominations of the particular nation's currency. Higher value and higher risk denominations are manufactured in note form to take advantage of a full range of counterfeit deterrent features to mitigate the increased risk.

**Evidence:** 31 U.S.C. 321(a)(4)

**1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency?**

Answer: YES

Question Weight 25%

**Explanation:** The BEP program is free of major flaws that limit efficiency or effectiveness. There are a variety of models and organizational structures for currency production in the world; however, none of them reach the scale of the United States system.

**Evidence:** CFO Accountability reports 1991 - 2002; Future of money study; Cost Comparison of Alternate Substrate Polymers

## PART Performance Measurements

**Program:** New Currency Manufacturing  
**Agency:** Department of the Treasury  
**Bureau:** Engraving & Printing  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	100%	100%	92%	

**1.5**      **Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?**      Answer: NA      Question Weight: 0%

Explanation: The new currency program does not have any direct beneficiaries, although citizens are the ultimate beneficiaries of a safe and secure currency.

Evidence:

**2.1**      **Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?**      Answer: YES      Question Weight: 12%

Explanation: The Bureau's most vital strategic goal is to stay ahead of the technology curve with respect to ensuring the integrity of the Nation's currency. In order to achieve this goal, the Bureau has partnered with the U.S. Secret Service and the Federal Reserve to devise a long-term, counterfeit deterrent strategy for U.S. currency that features regular redesign of currency notes. The BEP has established quality performance targets to 1) ensure new design currency is specifically produced and delivered to the Federal Reserve at consistently high quality and 2) demonstrate that BEP maintains a world class quality management system. Also, the BEP follows commercial manufacturing practice by setting an annual manufacturing cost standard (efficiency measure) for each denomination including the new design note.

Evidence: FY 2005 Departmental Budget - GPRA Performance Section

**2.2**      **Does the program have ambitious targets and timeframes for its long-term measures?**      Answer: YES      Question Weight: 12%

Explanation: BEP's new currency design manufacturing program's primary objective is the production of high quality counterfeit deterrent notes to protect the integrity and security of U.S. currency. This objective depends on the BEP's capability to produce counterfeit deterrent notes of consistently high quality that meet the Federal Reserve's standards. Accordingly, the BEP has established ambitious targets for quality notes delivered to the Federal Reserve. In addition, BEP is pursuing upgraded accreditation under International Organization for Standardization (ISO) quality management standards. ISO is an internationally recognized quality assurance program aimed at improving the quality of manufactured products. ISO certification signifies that the certified organization follows a rigorous quality control program under stringent international standards and provides current and future Bureau customers assurance that our currency-manufacturing program will deliver high quality security products. BEP's ISO recertification consists of an independent audit of the 20 components of BEP's Quality Management System (QMS) on an annual basis.

Evidence: BEP will begin the delivery of new currency design notes known as NexGen currency in the following timeframe: \$20 note in 2003, \$50 note in 2004 and the \$100 note in 2005. Concurrently BEP is developing and evaluating additional counterfeit deterrent features for use in future generation notes (FuGen) to be released to the public in 7 to 10 years after NexGen currency. BEP Strategic Plan (pg 3); ISO Certification; % of Federal Reserve orders met as requested- Target-100%



## PART Performance Measurements

**Program:** New Currency Manufacturing  
**Agency:** Department of the Treasury  
**Bureau:** Engraving & Printing  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	100%	100%	92%	

**2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?** Answer: YES Question Weight:12%

**Explanation:** The BEP is revising its strategic plan and is establishing several annual performance goals to demonstrate progress towards achieving the long-term goals of the program. Semi-annually BEP executives and program managers meet in an all-day planning and performance review session to evaluate performance trends and progress toward achieving strategic objectives. The following performance measures demonstrate progress towards achieving the programs long-term goals: % of currency notes delivered to the Federal Reserve that meet customer quality requirements, maintain/upgrade ISO certification, # of notes returned by the Federal Reserve due to manufacturing defects (per million notes delivered), currency shipment discrepancies (per million notes).

**Evidence:** FY 2005 Departmental Budget Submission (BEP-08-11)

**2.4 Does the program have baselines and ambitious targets for its annual measures?** Answer: YES Question Weight:12%

**Explanation:** BEP has established ambitious annual targets.

**Evidence:** FY 2004 Congressional Budget Submission (BEP-08-11); FY 2005 Departmental Budget Submission (BEP-08-11); Targets: 1) % of Federal Reserve orders met as requested- Target-100% 2) # of notes returned by the Federal Reserve due to manufacturing defects (per million notes delivered) - Target -.0250 3) Maintain/upgrade ISO Certification- Target-certified 4) Currency shipment discrepancies (per million notes) - Target .0100.

**2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?** Answer: YES Question Weight:12%

**Explanation:** The BEP partners with the Federal Reserve and U.S. Secret Service in the development of counterfeit deterrent currency. A joint committee of representatives from BEP, the Federal Reserve, Secret Service and Treasury works to predict future counterfeit trends and risks and develops strategies to counter these risks. To stay ahead of technology available to counterfeiters, the BEP established the Securities Technology Institute, a collaborative effort with Johns Hopkins University, to develop, test and evaluate new counterfeit deterrent features for U.S. currency and other security documents. The next generation \$20 note, scheduled to be put in circulation this fall, contains a feature developed in conjunction with a 24-nation effort to deter the use of personal computers and inkjet printers in counterfeiting.

**Evidence:** Interagency Working Group (IWG) meeting minutes, June 12, 2003

**2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?** Answer: YES Question Weight:12%

**Explanation:** Independent auditors (Ernst and Young LLP Certified Public Accountants) review the BEP during its annual audit process. In addition, BEP's ISO recertification consists of an independent audit of the 20 components of BEP's Quality Management System (QMS) on an annual basis.

**Evidence:** 2002 CFO Accountability report; IWG meeting minutes June 12, 2003; Monthly cost and production reports; ISO Certification

## PART Performance Measurements

**Program:** New Currency Manufacturing  
**Agency:** Department of the Treasury  
**Bureau:** Engraving & Printing  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	100%	100%	92%	

**2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?** Answer: YES Question Weight:12%

Explanation: The budget is generally aligned with the program goals and is linked to the BEP's strategic plan.

Evidence: The BEP uses activity-based costing principles to assess full cost of each of its main programs. The BEP's congressional justification and budget documentation are presented in accordance with long-standing congressional direction specified for the BEP revolving fund.

**2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies?** Answer: YES Question Weight:12%

Explanation: The BEP is revising its strategic plan and is establishing several annual performance goals to demonstrate progress towards achieving the long-term goals of the program. Semi-annually BEP executives and program managers meet in an all-day planning and performance meeting to review annual goals and performance. Planning and performance deficiencies are identified and program managers are assigned responsibility for implementation of corrective actions.

Evidence: Draft FY 2004 -2008 BEP Strategic Plan

**3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?** Answer: YES Question Weight:14%

Explanation: BEP collects monthly production and cost performance data from the shop floor and its cost accounting systems. This information is evaluated and presented to executive and program management at the monthly production and cost meeting. Also, the Federal Reserve provides quality and shipment discrepancy data to BEP on a monthly basis.

Evidence: 1. Monthly cost and production reports 2. Quarterly Goal-Sharing Update 3. BEP Management Information System (BEPMIS)

**3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?** Answer: YES Question Weight:14%

Explanation: The BEP uses performance measures to evaluate the performance of its SES and mid-level managers. Also, monthly production and cost reviews are held with the executive team to examine and discuss financial (cost) information and performance measures. Program managers are expected to explain and justify variances as well as make adjustments when necessary to improve performance. The Bureau implemented a goal sharing program a few years ago to incentivize managers and employees to be accountable for results. A monetary benefit is available to employees based on achievement of specific cost, performance and safety goals that the BEP is focused on for a given year.

Evidence: 1. Monthly cost reports 2. SES performance plans 3. Quarterly Goal-Sharing update 4. 2002 CFO Accountability report

## PART Performance Measurements

**Program:** New Currency Manufacturing  
**Agency:** Department of the Treasury  
**Bureau:** Engraving & Printing  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	100%	100%	92%	

**3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?** Answer: YES Question Weight:14%

Explanation: The BEP is an industrial revolving fund and its currency program operations are funded from the sale of currency (at cost) to the Federal Reserve System. All funds are obligated in a timely manner for the intended purpose.

Evidence: 2002 CFO Accountability report with unqualified audit opinion; SF 132 Apportionment.

**3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?** Answer: YES Question Weight:14%

Explanation: BEP has developed procedures to allow managers to find efficiencies and improve cost effectiveness in program execution. Frontline managers can assess the status of key performance measures through the BEP management information system. The BEP's goal sharing program provides incentives to encourage managers and employees to work together to exceed aggressive performance standards. The BEP runs a suggestion program that recognizes employee suggestions with monetary awards.

Evidence: Over the past five years more than \$20 million has been saved through the implementation of employee suggestions. Incentives - FY 2003 Annual goal sharing program, BEP Management Information System (BEPMIS).

**3.5 Does the program collaborate and coordinate effectively with related programs?** Answer: YES Question Weight:14%

Explanation: BEP meets monthly with the Federal Reserve to discuss program issues and concerns. BEP participates with Treasury, Federal Reserve, and Secret Service through the Advanced Counterfeit Deterrence Committee to develop and implement strategy to protect U.S. currency from current and future counterfeiting threats. In addition, the Bureau and the Mint maintain a close working relationship and have a number of shared service initiatives that include the following: Exchange of high-level information technology managers to effect knowledge transfers in the areas of IT infrastructure, server configuration and information security; cooperation in sales efforts; collaboration on product designs; the development and implementation of a common pay scale for Mint and BEP police officers; and heightened management collaboration and discussion on issues such as supply chain management, police officer recruiting and retention, drug testing, and employee development.

Evidence:

**3.6 Does the program use strong financial management practices?** Answer: YES Question Weight:14%

Explanation: For the past eighteen years, the BEP has received an unqualified (clean) audit opinion. There are no material internal control weaknesses identified for this activity. Further, the BEP has established an internal management control function to conduct reviews and studies to evaluate the efficiency and effectiveness of BEP programs, major initiatives, and finance functions.

Evidence: most recent meeting minutes are for the meeting held June 12, 2003.

## PART Performance Measurements

**Program:** New Currency Manufacturing  
**Agency:** Department of the Treasury  
**Bureau:** Engraving & Printing  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	100%	100%	92%	

**3.7 Has the program taken meaningful steps to address its management deficiencies?** Answer: YES Question Weight: 14%

**Explanation:** The BEP has effective programs in place to assist management in the performance of their duties. For example, the BEP's EEO office ensures compliance with EEOC regulations and Treasury guidance. BEP's EEO office utilizes the Alternate Dispute Resolution (ADR) process where applicable and continues to cultivate a collaborative effort to positively impact complaint resolution and enhance management accountability through training and education. In addition, BEP strives to maintain a positive relationship with the 18 unions that represent BEP's workforce through the use of a Joint Labor Council to facilitate an open dialogue between management and union members. The BEP has made notable efforts to establish internal processes separate from its production functions that would address any management deficiencies.

**Evidence:** Interagency Working Group (IWG) meeting minutes, June 12, 2003

**4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals?** Answer: YES Question Weight: 25%

**Explanation:** BEP has steadily improved the quality of the finished product delivered to the Federal Reserve as past year performance statistics indicate. Also, BEP has successfully maintained ISO certification after achieving certification for the first time in FY 2001.

**Evidence:** BEP's performance measures as reported in recent submissions are as follows: 1) % of Federal Reserve orders met as requested- 100% in 2001, 100% in 2002 2) Currency spoilage rate - new currency production - 7.4% in 2001, 5.6% in 2002 3) Manufacturing costs for currency (dollar cost per thousand notes produced) - \$31.31 in 2001, \$34.91 in 2002 4) # of notes returned by the Federal Reserve due to manufacturing defects (per million notes delivered) - .009 in 2001, .006 in 2002, 5) Maintain/upgrade ISO Certification- Certified in 2001, certified in 2002. 6) Currency shipment discrepancies (per million notes) - .00 in 2001, .00 in 2002. Sources: 2002 CFO Accountability report; FY 2004 Congressional Budget Submission (BEP-08-11); ISO 9001 Certification; Monthly cost and production reports; GPRA Performance Plan

**4.2 Does the program (including program partners) achieve its annual performance goals?** Answer: YES Question Weight: 25%

**Explanation:** BEP met or exceeded its performance goals for FY 2002.

**Evidence:** BEP's performance against target as reported is as follows: 1) % of Federal Reserve orders met as requested- Target-100%, Performance -100%. 2) Manufacturing costs for currency (dollar cost per thousand notes produced) - Target-\$30.45, Performance - \$27.13 3) # of notes returned by the Federal Reserve due to manufacturing defects (per million notes delivered) - Target -.0250, Performance- .006 4) Maintain/upgrade ISO Certification- Target-certified, Performance -certified. 5) Currency shipment discrepancies (per million notes) - Target .0100, Performance- .00. Sources: FY 2004 Congressional Budget Submission (BEP-08-11); 2002 CFO Accountability report; GPRA Performance Plan.

**4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?** Answer: LARGE EXTENT Question Weight: 25%

**Explanation:** The production roll-out of the redesigned, next generation \$20 currency note earlier this spring began on schedule and early cost and performance results point to a successful start for this effort.

**Evidence:** FY 2002 final goal sharing report

## PART Performance Measurements

**Program:** New Currency Manufacturing  
**Agency:** Department of the Treasury  
**Bureau:** Engraving & Printing  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	100%	100%	92%	

**4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?**      Answer: NA      Question Weight: 0%

**Explanation:** BEP's manufacturing operations are not similar to the manufacturing programs of any private or government program, including the U.S. Mint. The technologies used to manufacture currency are different from those employed to mint coins. The major difference between currency and coin is the adaptability of the currency substrate (paper or polymer) to new design features and/or elements that enhance the counterfeit deterrence characteristics. Foreign security printers do not produce comparable quantities of currency notes and design features vary widely from country-to-country. Foreign printers maintain currency performance data as proprietary information which further precludes meaningful comparisons with U.S. currency manufacturing performance.

**Evidence:** 31 U.S.C. 321(a)(4)

**4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?**      Answer: YES      Question Weight: 25%

**Explanation:** BEP's independent auditors annually evaluate and validate goal sharing results as part of the annual financial statement audit process. The Federal Reserve reviews cost proposals and pricing methodology on an annual basis, and GAO periodically requests information for review. BEP's annual ISO recertification consists of an independent audit of the 20 components of BEP's Quality Management System (QMS). In addition, the Secret Service performs a comprehensive evaluation of BEP security and accountability programs on a five-year cycle.

**Evidence:** 2002 CFO Accountability Report; ISO Certification; Secret Service's security and accountability report

## PART Performance Measurements

**Program:** New Currency Manufacturing  
**Agency:** Department of the Treasury  
**Bureau:** Engraving & Printing  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	100%	100%	92%	

**Measure:** Percent of face value of currency in circulation that is counterfeit.

**Additional Information:** This measure tracks the face value of counterfeit notes passed on the American public compared to total currency in circulation.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
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**Measure:** Percent of currency notes delivered to the Federal Reserve that meet its quality requirements.

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2005	99.99 %		
2006			

**Measure:** Currency shipment discrepancies per million notes. This measure refers to product overages or underages of as little as a single currency note in shipments of finished notes to the Federal Reserve Banks.

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2001	0.01	0	
2002	0.01	0	
2003	0.01	0	
2004	0.01		
2005	0.01		
2006			

## PART Performance Measurements

**Program:** New Currency Manufacturing  
**Agency:** Department of the Treasury  
**Bureau:** Engraving & Printing  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	100%	100%	92%	

**Measure:** Manufacturing cost per 1,000 new design currency notes delivered (in dollars).

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2001	\$31.50	\$31.31	
2002	\$35.75	\$34.91	
2003	\$37.40	\$37.04	
2004	\$42.00		
2005			
2006			

**Measure:** Maintain ISO Certification. ISO Certification signifies that the certified organization follows a rigorous quality control program under stringent international standards.

**Additional Information:** ISO is an internationally recognized quality assurance program aimed at improving the quality of manufactured products. Certification requirements entail implementation and adherence to written procedures and detailed work instructions which document all processes that affect the quality of each product line. ISO certification signifies that the certified organization follows a rigorous quality control program under stringent international standards and provides current and future Bureau customers assurance that our currency-manufacturing program will deliver high quality security products.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2001	certified	certified	
2002	certified	certified	
2003	certified	certified	
2004	certified		
2005	certified		

## PART Performance Measurements

**Program:** New Currency Manufacturing  
**Agency:** Department of the Treasury  
**Bureau:** Engraving & Printing  
**Type(s):** Direct Federal

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Section Scores				Rating
1	2	3	4	Effective
100%	100%	100%	92%	

2006



## PART Performance Measurements

**Program:** New Markets Tax Credit  
**Agency:** Department of the Treasury  
**Bureau:** Domestic Finance/CDFI Fund  
**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
90%	70%	90%	15%	

**1.1 Is the program purpose clear?**

Answer: YES

Question Weight30%

**Explanation:** The CDFI Fund issues new markets tax credits to certified community development entities (CDEs) in an effort to attract private sector capital into low-income communities.

**Evidence:** CDFI Fund Revised Goals and Measures, Updated 5/5/04; FY 2003 Notice of Allocation Availability (NOAA) published 7/18/03.

**1.2 Does the program address a specific and existing problem, interest or need?**

Answer: YES

Question Weight30%

**Explanation:** The program addresses financial market limitations by facilitating the flow of equity capital into areas underserved by conventional lenders and investors.

**Evidence:** The National Venture Capital Association reported three straight years of declining venture capital (VC) investments, from a high of 8,068 deals totaling \$106 billion in 2000 to a low of 2,779 deals totaling \$18 billion in 2003. A 2003 report prepared by Columbia Business School ('The Double Bottom Line Private Equity Landscape,' by Clark and Gaillard) found that socially-oriented VC firms' investment activity decreased by 41% between 2001 and 2002, and that investments from all VC firms experienced a similar level of decline (44%) during that same period.

**1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?**

Answer: NO

Question Weight10%

**Explanation:** While possessing some unique qualities the program's purpose and funding mechanism (i.e. tax credits) are similar to other federal and State programs

**Evidence:** Applicants often note that NMTC allocations complement state and local tax credit programs. Further, federal tax credits are available for selected Empowerment Zones and Renewal Communities. Finally, numerous programs at the departments of Housing and Urban Development (Community Development Block Grants) and Commerce (Economic Development Administration) augment the NMTC goal of improving low-income communities.

**1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency?**

Answer: YES

Question Weight20%

**Explanation:** There is no evidence to suggest another approach would be more efficient to achieve the program's purpose of attracting private capital into low-income communities. The program is designed so that each dollar of tax credits is leveraged 2.5 times initially. Further leveraging occurs at the project level. While leveraging ratios vary project by project, it is estimated that total leverage can reach 20:1.

**Evidence:** The Allocation Tracking System, a web-based system that permits allocatees to enter investor data on a real time basis when qualifying equity investments are issued, indicates that as of March 29th, 2004, 30 CDEs issued a total of \$478 million (out of \$2.5 billion total) of equity investments for which credits may be claimed. Additional data will become available throughout the summer.

## PART Performance Measurements

**Program:** New Markets Tax Credit  
**Agency:** Department of the Treasury  
**Bureau:** Domestic Finance/CDFI Fund  
**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
90%	70%	90%	15%	

**1.5 Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?**      Answer: YES      Question Weight: 10%

**Explanation:** Approximately 40% of census tracts meet NMTC eligibility requirements, pursuant to regulation and allocation agreements. Allocation agreements and follow-on reporting requirements ensure that allocatees provide services to these communities. Further, regulations stipulate that only 15% of the proceeds can be spent to cover operational expenses of the CDE.

**Evidence:** NMTC authorizing statute. Allocation applications and agreements.

**2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?**      Answer: YES      Question Weight: 20%

**Explanation:** CDFI recently established two long-term performance measures for the NMTC program that focus on attracting private sector capital into low-income communities through CDEs.

**Evidence:** CDFI Fund Revised Performance Goals and Measures, Updated 5/5/04.

**2.2 Does the program have ambitious targets and timeframes for its long-term measures?**      Answer: YES      Question Weight: 20%

**Explanation:** Both of the program's long-term measures -- amount of investments in low-income communities and increase in average median home purchase loan value -- have ambitious targets and specific deadlines.

**Evidence:** CDFI Fund Revised Performance Goals and Measures, Updated 5/5/04.

**2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?**      Answer: YES      Question Weight: 20%

**Explanation:** The agency recently developed two annual measures that demonstrates progress towards achieving both long-term goals. CDFI also established one efficiency measure.

**Evidence:** CDFI Fund Revised Performance Goals and Measures, Updated 5/5/04.

**2.4 Does the program have baselines and ambitious targets for its annual measures?**      Answer: NO      Question Weight: 20%

**Explanation:** The annual performance measures do not have targets. Treasury will work to establish targets for inclusion in the FY 2006 Budget, however.

**Evidence:** Beginning in June 2004, the Community Investment Impact System (CIIS) will collect compliance and performance data from allocatees. The Fund will use this data to establish a baseline and a target for annual outcome measures.

## PART Performance Measurements

**Program:** New Markets Tax Credit  
**Agency:** Department of the Treasury  
**Bureau:** Domestic Finance/CDFI Fund  
**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
90%	70%	90%	15%	

**2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?**      Answer: YES      Question Weight: 10%

**Explanation:** All organizations receiving a tax credit allocation are bound by Allocation Agreements that help achieve the program's annual and long-term goals. Allocatees report performance and compliance data to the Grants Compliance and Monitoring (GCM) unit via the New Markets Compliance Monitoring System (NMCMS). In addition, the GCM unit conducts site visits to a sample of allocatees each year.

**Evidence:** Allocation agreements require entities to: 1) invest in the geographical service area designated in the application and approved by the Fund; 2) invest in the same type of activities indicated in the application and approved by the Fund; 3) invest a certain percentage of investments (generally 50% or higher) in "non-traditional or flexible" types of financings, as specified in the agreement; 4) invest a certain percentage of investments (generally 60% or higher) in areas of severe economic distress, as specified in the agreement; 5) issue at least 60% of their qualifying equity investments within three years; and 6) provide compliance and performance reports to the Fund on an annual basis.

**2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?**      Answer: NO      Question Weight: 10%

**Explanation:** Although the General Accounting Office is mandated to conduct a multi-year review of the NMTC program, it does so only every three years. CDFI expects to contract an independent and comprehensive evaluation of the NMTC program in FY 2005, however.

**Evidence:** GAO report 04-326 "NMTC Program: Progress Made in Implementation, but Further Actions Needed to Monitor Compliance."

**2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?**      Answer: NA      Question Weight: 0%

**Explanation:** The NMTC program will extend \$15 billion in tax credits from FY 2002-2007. The Fund receives an annual appropriation to administer the program but that funding source has less impact on annual and long-term performance goals than the credits themselves.

**Evidence:**

**2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies?**      Answer: NA      Question Weight: 0%

**Explanation:** Once allocatees begin reporting performance information in June 2004 the Fund will be able to identify and correct and strategic planning deficiencies.

**Evidence:**

## PART Performance Measurements

**Program:** New Markets Tax Credit  
**Agency:** Department of the Treasury  
**Bureau:** Domestic Finance/CDFI Fund  
**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
90%	70%	90%	15%	

**3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?**      Answer: YES      Question Weight:15%

**Explanation:** Allocatees submit investment and performance data through two web-based data collection systems, the Allocation Tracking System (ATS) and the Community Investment Impact System (CIIS). The ATS is a real-time system in which allocatees enter data as they receive investments. CIIS is an annual data collection system.

**Evidence:** Financial data collected through CIIS is verified against the allocatee's audited financial statements, and other data is checked for reasonableness against financial statements and other sources. Data obtained through CIIS and ATS will be analyzed and used to measure the Fund's progress towards its performance goals as well allocatee compliance with allocation agreements.

**3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?**      Answer: YES      Question Weight:15%

**Explanation:** NMTC managers' performance goals are directly tied to implementation of key milestones relating to program operations (e.g., date by which allocation award decisions are made; date by which debriefings are provided to applicants that were denied allocations; frequency with which CDE certification applications are reviewed).As noted in Question 2.5, allocation recipients are also held accountable for performance results through their allocation agreements.

**Evidence:** Fund managers' performance plans. Allocation agreements.

**3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?**      Answer: YES      Question Weight:10%

**Explanation:** CDFI issued \$6 billion in tax credits from FY 2002-2004, the exact amount permissible by statute. Further, although NMTC allocatees have five years to extend credits to investors, preliminary data shows that allocatees are well ahead of this requirement (see Question 4.1).

**Evidence:** Community Renewal Tax Relief Act of 2000; CIIS and ATS

**3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?**      Answer: NO      Question Weight:10%

**Explanation:** Although the program recently established an efficiency measure it has not yet established a baseline target. The Fund expects to produce a target in FY 2005.

**Evidence:** CDFI Fund Revised Performance Goals and Measures, Updated 5/5/04.

## PART Performance Measurements

**Program:** New Markets Tax Credit  
**Agency:** Department of the Treasury  
**Bureau:** Domestic Finance/CDFI Fund  
**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
90%	70%	90%	15%	

**3.5 Does the program collaborate and coordinate effectively with related programs?** Answer: YES Question Weight:10%

**Explanation:** The Fund worked with the IRS in developing program regulations and is finalizing an MOU to formalize a compliance and monitoring relationship with the Service. The Fund also works with the OCC to ensure that banks investing in CDEs receive credit under the Community Reinvestment Act. Further, NMTC applicants are scored more favorably to the extent they will work with other Federal programs (e.g., EZs/ECs; Hope VI; Brownfields) and/or in conjunction with locally-designated community revitalization efforts. Finally, the Fund is an activate participant in the Interagency Collaborative on Community and Economic Development (ICCED).

**Evidence:** Draft Memorandum of Understanding between the Fund and the IRS. 2003 NMTC Allocation Application.

**3.6 Does the program use strong financial management practices?** Answer: YES Question Weight:10%

**Explanation:** The Fund has received a clean audit opinion during the past six years, with no reportable conditions nor any instances of non-compliance with laws and regulations. The Fund also reports no instances of non-compliance with Sections 2 and 4 of the Financial Managers Financial Integrity Act within the same time period.

**Evidence:** CDFI Fund Audited Financial Statements, which also includes the Fund's FMFIA certification. Review of Fund programs under the Improper Payments Information Act of 2002.

**3.7 Has the program taken meaningful steps to address its management deficiencies?** Answer: YES Question Weight:10%

**Explanation:** A recent GAO analysis found no deficiencies with respect to administrative review and selection of applications (both for CDE certification and for NMTC allocations), though it did make a recommendation that the Fund and the IRS develop schedules and milestones for completing monitoring elements. As noted in Question 3.5, CDFI and the IRS are finalizing a Memorandum of Understanding to address monitoring elements.

**Evidence:** GAO Report 04-326 "NMTC Program: Progress Made in Implementation, but Further Actions Needed to Monitor Compliance."

**3.CO1 Are grants awarded based on a clear competitive process that includes a qualified assessment of merit?** Answer: YES Question Weight:10%

**Explanation:** All program allocation decisions are made on the basis of merit. All applicants are reviewed and approved on a competitive basis established in the Notice of Allocation Availability (NOAA) and detailed in the allocation application. The Fund engages in significant outreach to promote the program, including a video teleconference that is open to the general public and broadcast to every HUD field office in the nation.

**Evidence:** 2003 Allocation application materials. Outreach schedule.; reviewer guidance materials and panel review policies.

## PART Performance Measurements

**Program:** New Markets Tax Credit  
**Agency:** Department of the Treasury  
**Bureau:** Domestic Finance/CDFI Fund  
**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
90%	70%	90%	15%	

**3.CO2**      **Does the program have oversight practices that provide sufficient knowledge of grantee activities?**      Answer: YES      Question Weight: 10%

**Explanation:** Allocatees submit via CIIS and ATS: 1) reports that track the issuance of tax credits to investors, updated on a real-time basis; 2) annual institution level reports, which trace the characteristics of the entity that received the allocation over time; and 3) annual transaction-level reports, which track the use of NMTC proceeds on an investment-by-investment basis.

**Evidence:** These reports are used by the Fund and IRS to monitor compliance with program regulations. In addition, they permit the Fund to collect key evaluation data (e.g., jobs created; increased business revenues) to support overall strategic goals. The Fund's Grants Compliance and Monitoring unit will review data to ensure allocatees are in compliance with their allocation agreements. This unit is developing policies and protocols for on-site audits of allocatees.

**3.CO3**      **Does the program collect grantee performance data on an annual basis and make it available to the public in a transparent and meaningful manner?**      Answer: NA      Question Weight: 0%

**Explanation:** Once the Fund collects and analyzes performance data beginning in June 2004 it will disseminate data to the public at an aggregate level. To the extent possible within the confines of privacy and financial disclosure laws and consideration for allocatees and their clients, the Fund will make disaggregated data available as well.

**Evidence:**

**4.1**      **Has the program demonstrated adequate progress in achieving its long-term performance goals?**      Answer: SMALL EXTENT      Question Weight: 45%

**Explanation:** The first round of award announcements was made in March of 2003 with the earliest allocatee report due through CIIS in June 2004. However, preliminary data from ATS shows signs that its long-term measures are attainable.

**Evidence:** Data collected on a real-time basis through ATS indicates that approximately 20% of the \$2.5 billion in allocation authority has already been issued to investors within 7 months of closing allocation agreements. This pace is well ahead of what is minimally required in awardees' allocation agreements (i.e. 60% issued within three years), and even further ahead of what is permissible in the statute (i.e. 100% issued within five years).

**4.2**      **Does the program (including program partners) achieve its annual performance goals?**      Answer: NO      Question Weight: 45%

**Explanation:** As noted in Question 2.4, the Fund has not yet established targets for its annual goals. Beginning in June 2004, the Community Investment Impact System (CIIS) will collect compliance and performance data from allocatees which will be used to establish targets.

**Evidence:**

## PART Performance Measurements

**Program:** New Markets Tax Credit  
**Agency:** Department of the Treasury  
**Bureau:** Domestic Finance/CDFI Fund  
**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
90%	70%	90%	15%	

**4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?**      Answer: NO      Question Weight: 5%

Explanation: The program has an efficiency measure but can not establish a baseline target until FY 2005 when sufficient data is available through ATS and CIIS (see Question 3.4).

Evidence:

**4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?**      Answer: NA      Question Weight: 0%

Explanation: The program is new and therefore data is not available to compare its performance to other programs at this time.

Evidence: The aforementioned ICEED is working to establish common measures to evaluate comparable community development programs.

**4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?**      Answer: NO      Question Weight: 5%

Explanation: The Fund will conduct an independent evaluation in FY 2005. The evaluation will be designed to meet the evaluation criteria set forth in the PART guidelines (see Question 2.6).

Evidence:

## PART Performance Measurements

**Program:** New Markets Tax Credit  
**Agency:** Department of the Treasury  
**Bureau:** Domestic Finance/CDFI Fund  
**Type(s):** Competitive Grant

Section Scores				Rating
1	2	3	4	Adequate
90%	70%	90%	15%	

**Measure:** Community Development Entities' investments in low-income communities (in billions of dollars)

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2010	\$6		

**Measure:** By 2010, the average median home purchase loan value will increase faster than inflation for census tracts that received \$5 million or more in NMTC investments. (Baseline and targets under development.)

**Additional Information:** The Urban Institute's 2003 evaluation of the CDBG program identified increases in median home loan values in a community as a good proxy for the increase in quality of life.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term

**Measure:** Amount of investments in low-income communities that CDEs have made with capital raised through their NMTC tax credit allocations (targets under development)

**Additional Information:** This annual measure supports both long-term measures.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual

**Measure:** Administrative costs per number of NMTC applications processed.

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual

**Measure:** Percentage of loans and investments that went into severely distressed communities.

**Additional Information:** This measure supports both long-term measures.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2005	TBA		
2006	TBA		



## PART Performance Measurements

**Program:** New Markets Tax Credit  
**Agency:** Department of the Treasury  
**Bureau:** Domestic Finance/CDFI Fund  
**Type(s):** Competitive Grant

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Section Scores				Rating
1	2	3	4	Adequate
90%	70%	90%	15%	

2007

TBA

## OMB Program Assessment Rating Tool (PART)

### *Regulatory Based Programs*

**Name of Program: OCC Bank Supervision**

**Section I: Program Purpose & Design (Yes, No, N/A)**

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
1	<i>Is the program purpose clear?</i>	Yes	The Office of the Comptroller of the Currency (OCC) charters, regulates and examines approximately 2,200 national banks and 52 federal branches of foreign banks in the U.S., accounting for more than 54 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.	OCC's Strategic Plan 2000-2005 articulates the program purpose clearly.	20%	0.2
2	<i>Does the program address a specific interest, problem or need?</i>	Yes	The program is designed to address the safety and soundness of the national banking system and the maintenance and integrity of the Bank Insurance Fund (FDIC deposit insurance).	Banks regulated by the OCC account for more than 54 percent of the nation's banking assets.	20%	0.2
3	<i>Is the program designed to have a significant impact in addressing the interest, problem or need?</i>	Yes	OCC charters and is the primary federal regulator of national banks.	2,800 OCC employees supervise approximately 2,200 national banks accounting for more than 54 percent of the nation's banking assets.	20%	0.2

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
4	<i>Is the program designed to make a unique contribution in addressing the interest, problem or need (i.e., not needlessly redundant of any other Federal, state, local or private efforts)?</i>	No	OCC is the primary regulator of national banks. However, FDIC performs limited supervision of national banks. Other depository institutions are regulated by a complex, overlapping structure of Federal and State agencies. Other agencies, including the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA) and the Federal Reserve Bank (FRB), perform similar types of regulatory functions in the banking industry.	OTS Strategic Plan, NCUA Strategic Plan, and FDIC Strategic Plan all reflect similar regulatory functions as OCC.	20%	0.0
5	<i>Is the program optimally designed to address the interest, problem or need?</i>	Yes	The OCC approach to bank supervision -- supervision by risk -- results in effective and efficient bank supervision. The Supervision by Risk model has been replicated by other bank regulatory agencies. OCC's primary funding source (fee assessments on total assets of national banks) imposes a level of financial management discipline that requires the OCC to conduct bank supervision in an efficient and effective manner. By comparison, the funding sources of some other federal bank regulators are not constrained and do not necessitate a similar level of financial management discipline.	Bank Supervision Process booklet of the Comptroller's Handbook; Large Bank Supervision booklet of the Comptroller's Handbook; Community Bank Supervision booklet of the Comptroller's Handbook; Reforming the Funding of Bank Supervision ( <a href="http://www.occ.treas.gov/reformfunding.pdf">http://www.occ.treas.gov/reformfunding.pdf</a> ).	20%	0.2
<b>Total Section Score</b>					<b>100%</b>	<b>80%</b>

	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
<b>Section II: Strategic Planning (Yes, No, N/A)</b>						
1	<i>Does the program have a limited number of specific, ambitious long-term performance goals that focus on outcomes and meaningfully reflect the purpose of the program?</i>	Yes	The OCC has established three long term strategic goals for the organization. These goals directly support the OCC's mission of, "Charter, regulate and supervise national banks to ensure a safe, sound and competitive banking system that supports the citizens, communities, and economy of the United States." These goals focus on the desired state of the national banking system in protecting the financial assets and meeting the needs of the American public. A fourth, enabling goal reflects the desired management attributes for the agency as it accomplishes its mission. The specific outcomes that demonstrate achievement of these long term goals are established in the Annual Performance Plan and are discussed under Question 2 below.	OCC published its 2000-2005 Strategic Plan that includes the four long term strategic goals for the organization. The goals are: 1) A safe and sound national banking system; 2) A flexible legal and regulatory framework that enables the national banking system to provide a full competitive array of financial services; 3) Fair access to financial services and fair treatment of bank customers; and, 4) An expert, highly motivated and diverse workforce that makes efficient use of OCC resources. Performance goals and measures are established in the FY 2003 Performance Plan.	14%	0.1
2	<i>Does the program have a limited number of annual performance goals that demonstrate progress toward achieving the long-term goals?</i>	Yes	The OCC implemented a new set of goals and measures for FY 2003 that are more outcome-oriented and better reflect achievement of the long term, strategic goals of the agency. The annual performance goals state the actual and targeted performance and outcomes for specific time periods. The annual performance goals are linked to Treasury's strategic goals, OCC's strategic goals, and also OCC's major programs. The performance goals are supported by a balanced set of measures considering program results, customer satisfaction and employee satisfaction. Several of OCC's performance goals relate to improving efficiency. OCC also has adopted operational measures that are used internally to track organizational performance and guide decision making. OCC has revised its measures several times since the early 1990s, so it lacks the consistency of performance data to show continuous improvement from an external perspective. Although new measures have been adopted, old measures remain important as operational data that the OCC continues to monitor.	The OCC publishes its Annual Performance Plan as part of Treasury's Congressional budget. The FY 2003 performance goals relative to OCC's mission are: 1) Achieve effective rehabilitation of problem national banks; 2) Maintain a well-capitalized national banking system; 3) Maintain a safe and sound national banking system through effective supervision; 4) Maintain a national banking system that is responsive to community development opportunities; 5) Maintain a national banking system that effectively complies with consumer laws and regulations; 6) Facilitate the timely and effective resolution of consumer complaints; 7) Increase the number of institutions that use the Internet to file licensing applications; 8) Complete licensing decisions in a timely, effective and professional manner; and, 9) Issue external legal opinions within established timeframes.	14%	0.1

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
3	<i>Do all partners (grantees, sub-grantees, contractors, etc.) support program planning efforts by committing to the annual and/or long-term goals of the program?</i>	N/A	Since regulated entities are not necessarily considered program partners, it is not apparent that the OCC has partners in the context of this question. The OCC does contract with a small number of personnel and they do share OCC's goals.	N/A.	0%	0.0
4	<i>Does the program collaborate and coordinate effectively with related programs that share similar goals and objectives?</i>	Yes	OCC has joined other financial institution regulatory agencies as part of the Federal Financial Institutions Examination Council (FFIEC) in an effort to develop common examination policies and procedures. OCC's strategic goals and measures, however, are not coordinated with those of other financial regulatory agencies. Similar goals and measures need to be developed in order to better compare agency outcomes.	Office of the Inspector General's (OIG) 2002 review entitled "Joint Evaluation of the Federal Financial Institutions Examination Council" concluded that the FFIEC is accomplishing its mission of prescribing uniform principles, standards, and report forms and is achieving coordination between the banking agencies. The report further concluded that the FFIEC and the banking agencies have issued guidance responsive to the major risks and emerging issues facing the industry between 1997 and 2001 (the period of the study) and had achieved uniformity in critical areas such as common examination rating systems and standard quarterly financial reports submitted by insured institutions (see report pages 5, 6, 10-14). FFIEC annual reports; joint interagency bank supervision conferences; OCC strategic plan.	14%	0.1
5	<i>Are independent and quality evaluations of sufficient scope conducted on a regular basis or as needed to fill gaps in performance information to support program improvements and evaluate effectiveness?</i>	Yes	The OIG conducts reviews of the supervision process. The OIG also conducts a review to determine the reasons for the failure and steps to be taken to prevent recurrence when there is a material loss to the Bank Insurance Fund due to the failure of a national bank. OCC takes prompt corrective action to address the findings. The OIG conducts follow-up audits to determine the effectiveness of the OCC's actions.	OIG audit plan, Material Loss Report on Keystone, QA reports, OIG audit report, ITC system reports.	14%	0.1

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
6	<i>Is the program budget aligned with the program goals in such a way that the impact of funding, policy, and legislative changes on performance is readily known?</i>	Yes	In FY 2001, the budget was first aligned to program areas. Employees allocate their time to these programs. In FY 2002, OCC will have program expenditure data for an entire fiscal year. Actual FY 2002 expenditures, operating plans and program results were considered in the deliberation and final approval of the FY 2003 budget. Additionally, OCC has aligned its performance measures by program. As the OCC is better able to align inputs to outputs/outcomes, the impact of funding, policy and legislative changes will be more readily known in the future.	PPM-3130-20, OCC Budget Process; initial budget requests; one-on-one business unit sessions; operating plans & measures; one-on-one Comptroller sessions; passbacks; appeals; responses to appeals; and, the final approved budget.	14%	0.1

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
7	<i>Has the program taken meaningful steps to address its strategic planning deficiencies?</i>	Yes	The OCC recently revised its measures to better reflect achievement of its strategic goals. Additionally, the FY 2003 budget process included a collaboration between the budgeting, planning, and evaluation staffs working with the program staffs to develop the budget. The OCC is planning to develop its FY 2003-2008 Strategic Plan with the primary purpose of considering industry trends and internal and external environmental issues to provide a future profile of the agency over the next five to seven years. This concerted effort to update the long range vision for the organization will further enhance strategic planning at the OCC.	FY 2004 Annual Performance Plan.	14%	0.1
8 (Reg 1.)	<i>Are all regulations issued by the program/agency necessary to meet the stated goals of the program, and do all regulations clearly indicate how the rules contribute to achievement of the goals?</i>	Yes	All regulations issued by OCC include a specific purpose related to statutory requirement or the OCC Strategic Plan. Purposes may be more narrowly described in regulations than stated goals in the strategic plan. However, each rulemaking project is tracked in the Chief Counsel's Project Tracking System, and relevant agency goals are identified for each rulemaking.	Text of Rulemakings; Rulemaking project entries in Chief Counsel Project Tracking System; OCC Strategic Plan; OCC Bulletin 97-8, "OCC Standards for Developing Regulations"; OCC Regulation Review Report Card, OCC (December 1996).	14%	0.1
<b>Total Section Score</b>					<b>100%</b>	<b>100%</b>

**Section III: Program Management (Yes, No, N/A)**

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
1	<i>Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?</i>	Yes	OCC gathers timely and credible performance data on its performance measures semiannually. The data is reported internally to the OCC's Executive Committee and externally, through the Department in both the Annual Performance Plan and the Annual Performance (& Accountability) Report.	Definitions for each performance measure, how the performance data is captured and how it is verified and validated are established in the OCC's Annual Performance Plan. The OCC's FMFIA process is used to ensure managers controls over performance data are operating as intended.	8%	0.1

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
2	<i>Are Federal managers and program partners (grantees, subgrantees, contractors, etc.) held accountable for cost, schedule and performance results?</i>	Yes	The OCC identifies managers responsible for achieving key program results. Through the administration of OCC's performance management program, all OCC employees have established performance standards. Each manager has an annual performance plan with goals and objectives tied to OCC's mission and strategic plan. In addition, each manager completes an annual self-assessment of their program responsibilities (SAM).	PPM - 3110-28, Performance Management Program, Self-Assessments for Managers.	8%	0.1
3	<i>Are all funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?</i>	Yes	OCC adopted strict budget formulation and execution processes similar to those followed by appropriated agencies. It has established a funds control process to track the Budget Authority approved by the Comptroller and ensure its use for the intended purposes. The DCFO and the budget contacts in the functional units monitor daily the usage of approved funds and the DCFO reports monthly on the status of funds to the Comptroller and the Executive Committee.	Monthly Financial Status briefings to the Executive Committee with reviews of obligation rates; PPM-1000-14, Special and Contingency Reserves.	8%	0.1
4	<i>Does the program have incentives and procedures (e.g., competitive sourcing/cost comparisons, IT improvements) to measure and achieve efficiencies and cost effectiveness in program execution?</i>	No	The OCC does not currently have fully developed mechanisms to measure efficiencies on a global agency basis. However, the Comptroller recently instilled a Program and Management Accountability (P&MA) division within the OCC to provide assurance that programs meet mission requirements and are administered in an efficient and effective manner and resources are protected from waste, fraud, and mismanagement. P&MA ensures that accountable management officials establish and maintain a set of cost-effective management controls over program/organizational unit performance; encourage organizational performance excellence through a regular program of quality reviews; ensure that OCC programs align with strategies/priorities by analyzing the OCC's budget and providing input into the strategic planning process; and evaluate the efficiency and effectiveness of programs and recommends alternatives or solutions.	N/A.	8%	0.0



	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
5	<i>Does the agency estimate and budget for the full annual costs of operating the program (including all administrative costs and allocated overhead) so that program performance changes are identified with changes in funding levels?</i>	Yes	OCC budgets for all direct and indirect costs of operating its programs. All direct and indirect costs are estimated and expensed at both major object class (MOC) and budget object class (BOC) levels. Beginning in FY 2002, OCC's general and administrative expenses will be allocated to its four mission-related programs which are subject to review by independent public accountants.	PPM-3130-20 OCC Budget Process; FY 2003 approved budget; FY 2002 Statement of Net Cost (draft prepared for period ending May 31, 2002).	8%	0.1
6	<i>Does the program use strong financial management practices?</i>	Yes	In addition to the practices discussed in 3. above, OCC follows generally accepted accounting principles applicable to Federal entities, and went live on October 1, 2001 with a new financial management system certified by the Joint Financial Management Improvement Program (JFMIP). The Treasury's Office of Inspector General oversees an annual audit of OCC's financial statements conducted by an Independent Public Accountant. OCC's financial statements, which are prepared following OMB guidance, have earned an unqualified (clean) opinion, with no material weaknesses or conditions of noncompliance with laws and regulations. OCC closes its monthly financial records and transmits the results to the Department of the Treasury within three working days of the end of the month.	\$SMART system documentation; FY 2001 Annual Report; Monthly TIER submissions for FY 2002.	8%	0.1
7	<i>Has the program taken meaningful steps to address its management deficiencies?</i>	Yes	OCC established the Program and Management Accountability division (P&MA) comprised of three units: Quality Management, Program Analysis, and the OIG/GAO Liaison function. The division's primary mission is to provide assurance that programs meet mission requirements and are administered in an efficient and effective manner and resources are protected from waste, fraud, and mismanagement. Meaningful steps to address management deficiencies include the Self Assessment for Managers (SAM) process and the implementation of \$SMART and it's related Asset Management system.	PPM 1000-12 -- Management Accountability; Self Assessment for OCC managers administered by the Program and Management Accountability division; March 2002 <i>Quarterly Journal</i> , Annual Report of Operations; \$SMART System documentation.	8%	0.1

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
8 (Reg 1.) <i>Did the program seek and take into account the views of affected parties including state, local and tribal governments and small businesses, in drafting significant regulations?</i>	Yes	For Advanced Notices of Proposed Rulemakings and Notices of Proposed Rulemakings, the process of soliciting views of affected parties in the drafting process is formalized. For other rulemakings, views may be solicited through the Comptroller and other senior management outreach with interested groups and through piloting regulatory changes under consideration.	ANPRs for OCC's E-Banking and Debt Cancellation rules; schedule of Comptroller and Chief Counsel meetings with bankers, bank associations and customer and community groups; documentation of Lending Limit pilot and results; OCC Bulletin 97-8, "OCC Standards for Developing Regulations"; OCC PPM 1000-10, "Policy Review and Approval Procedures."	8%	0.1
9 (Reg 2.) <i>Did the program prepare, where appropriate, a Regulatory Impact Analysis that comports with OMB's economic analysis guidelines and have these RIA analyses and supporting science and economic data been subjected to external peer review by qualified specialists?</i>	Yes	OCC normally does not issue regulations that meet threshold criteria requiring a Regulatory Impact Analysis. For any regulations that meet the criteria, a Regulatory Impact Analysis will be prepared.	OCC Rulemakings.	8%	0.1
10 (Reg 3.) <i>Does the program systematically review its current regulations to ensure consistency among all regulations in accomplishing program goals?</i>	Yes	The last complete regulatory review was completed 1993-1996, and a schedule is currently being established by the FFIEC for a complete regulatory review by 2006, to meet EGRPRA requirements. The OCC also reviews regulations at the initiation of the Comptroller or Chief Counsel to ensure regulatory consistency in accomplishing goals.	OCC Strategic Plan; "Measuring the Effectiveness of the OCC's Regulation Review Program," OCC, (July 1998); Part 24 and e-Corp rulemaking projects entries in Chief Counsel's Project Tracking System; OCC Bulletin 97-8 "OCC Standards for Developing Regulations."	8%	0.1
11 (Reg 4.) <i>In developing new regulations, are incremental societal costs and benefits compared?</i>	No	While the OCC takes into account costs and benefits when developing and issuing new regulations, formal cost-benefit analyses are not routinely performed on proposed rules. The OCC frequently solicits comments on burden and cost through proposed rules. When cost benefit analysis data are provided by commenters, the OCC considers those analyses along with other comments as part of its public comment process.	OCC Bulletin 97-8 "OCC Standards for Developing Regulations"; OCC PPM 1000-10, "Policy Review and Approval Procedures"; text of proposed rulemakings; "Measuring the Effectiveness of the OCC's Regulatory Review Program, OCC (July 1998).	8%	0.0

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
12 (Reg 5.) <i>Did the regulatory changes to the program maximize net benefits?</i>	Yes	The OCC balances costs and benefits in developing and issuing new regulations, for example between safety and soundness, a competitive banking environment, and protection of consumers.	OCC Bulletin 97-8 "OCC Standards for Developing Regulations"; OCC PPM 1000-10, "Policy Review and Approval Procedures"; "Measuring the Effectiveness of the OCC's Regulatory Review Program," OCC (July 1998); OCC Regulation Review Report Card, OCC (December 1996).	8%	0.1
13 (Reg 6.) <i>Does the program impose the least burden, to the extent practicable, on regulated entities, taking into account the costs of cumulative final regulations?</i>	Yes	Each proposed rulemaking identifies proposed new requirements and requests comment on implementation burden, especially for community banks. Comments are considered during OCC's comment analysis process. Consistency and interaction among regulations are considered during regulatory review programs. The OCC also seeks other ways to reduce regulatory burden on the national banks and federal branches it supervises. Through CAGnet, available through NationalBankNet, participating national banks can receive and respond electronically to customer complaints received through the OCC's Ombudsman's office. The OCC has several initiatives that seek to utilize electronic data collection through NationalBankNet and reduce the administrative burden. Additionally, OCC participates with other federal bank regulatory agencies in using joint regulatory reporting forms (call report) to minimize burden. The agencies have adopted electronic call report filing.	OCC Bulletin 97-8 "OCC Standards for Developing Regulations"; text of proposed rulemakings; "Measuring the Effectiveness of the OCC's Regulation Review Program," OCC, (July 1998), Call Report Instructions, CAGnet.	8%	0.1
<b>Total Section Score</b>				<b>100%</b>	<b>85%</b>

	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
<b>Section IV: Program Results (Yes, Large Extent, Small Extent, No)</b>						
1	<i>Has the program demonstrated adequate progress in achieving its long-term outcome goal(s)?</i>	Large Extent	To demonstrate achievement of OCC's long term goals, the most comprehensive performance measures from the FY 2003 performance plan were selected. Since these measures were established for FY 2003, actual results have not been reported externally but the data was gathered to establish the annual targets and is available internally. To respond to this question, OCC selected a few performance measures as established in the FY 2003 Performance Plan and provided actual results for FY 2001.	FY 2003 Annual Performance Plan and internal documentation of 2001 results.	20%	0.1

	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
			<p>Long-Term Goal I: A safe and sound national banking system</p> <p>Target: 90% of national banks with composite CAMELS rating of 1 or 2</p> <p>Actual Progress achieved toward 2001 - 94%, 2002 - 95% goal:</p>			
			<p>Long-Term Goal II: A flexible legal and regulatory framework that enables the national banking system to provide a full competitive array of financial services</p> <p>Target: 95% of licensing applications completed within established timeframes.</p> <p>Actual Progress achieved toward 2001 - 95%, 2002 - 96% goal:</p>			
			<p>Long-Term Goal III: Fair access to financial services and fair treatment of bank customers</p> <p>Target: 94% of national banks with consumer compliance ratings of 1 or 2</p> <p>Actual Progress achieved toward 2001 - 95%. 2002 - 95% goal:</p>			
			<p>Long-Term Goal IV: An expert, highly motivated and diverse workforce that makes effective use of OCC resources.</p> <p>Target: OCC's workforce distribution by race, national origin, and gender compares favorably with the civilian labor force</p> <p>Actual Progress achieved toward Improving trends goal:</p>			
2	Does the program (including program partners) achieve its annual performance goals?	Yes	In FY 2001, OCC had 7 performance goals and measures in the department's annual performance plan. OCC met or exceeded 5 of 7 of its targets. One of the unmet measures was non-mission related. The other unmet measure was an operational/process measure and did not adversely affect progress on OCC's long term goals. To respond to this question, OCC selected a few performance measures as established in the FY 2003 Performance Plan and provided actual results for FY 2001.	FY 2001 Annual Performance Report; FY 2003 Annual Performance Plan; Internal documentation of FY 2001 actual results.	20%	0.2
			<p>Key Goal I: Achieve effective rehabilitation of problem national banks</p> <p>Performance Target: 40% of the prior fiscal year-end's problem banks were rehabilitated during the fiscal year.</p> <p>Actual Performance: 2001 - 44%, 2002 - 47%</p>			
			<p>Key Goal II: Maintain a well-capitalized national banking system</p> <p>Performance Target: 95% of national banks are well-capitalized.</p> <p>Actual Performance: 2001 - 98%, 2002 - 99%</p>			
			<p>Key Goal III: Issue external legal opinions within established timeframes</p> <p>Performance Target: 85% of external legal opinions issued within established timeframes</p> <p>Actual Performance: N/A - new goal, not tracked in 2002.</p>			

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
3	<i>Does the program demonstrate improved efficiencies and cost effectiveness in achieving program goals each year?</i>	Yes	During FY 2002, OCC reviewed more than the goal of 5% (14 positions) of its FAIR Act positions for potential outsourcing. OCC determined that there was no cost advantage to outsourcing the 20 management services positions reviewed. Additionally, the number of management services staff required to support OCC operations has been reduced over the past few years.	A-76 reviews conducted during FY 2002 and; Office of Management Staffing Plan.	20%	0.2
4	<i>Does the performance of this program compare favorably to other programs with similar purpose and goals?</i>	NA	It is impossible to compare program performance until the financial regulatory agencies better align outcome goals and related measures.			
5	<i>Do independent and quality evaluations of this program indicate that the program is effective and achieving results?</i>	Yes	In material respects, OIG audits do not find systemic or major deficiencies. The audits address finite pieces of an overall program and individual instances of apparent lapses in effective supervision. Internal quality reviews indicate that the program is effective.	OIG audit plan, MLR on Keystone, QA plans and reports, OIG audit report, ITC system reports, Comptroller's Annual Assurance Certification.	20%	0.2
6 (Reg 1.)	<i>Were programmatic goals (and benefits) achieved at the least incremental societal cost and did the program maximize net benefits?</i>	Yes	The OCC balances costs and benefits in developing and issuing new regulations, for example between safety and soundness, a competitive banking environment, and protection of consumers.	"Measuring the Effectiveness of the OCC's Regulation Review Program," OCC, (July 1998); OCC Bulletin 97-8 "OCC Standards for Developing Regulations; OCC Regulation Review Report Card, OCC (December 1996).	20%	0.2
<b>Total Section Score</b>					<b>100%</b>	<b>93%</b>

## OMB Program Assessment Rating Tool (PART)

### *Direct Federal Programs*

**Name of Program: Office of Foreign Assets Control (OFAC)**

#### **Section I: Program Purpose & Design (Yes, No, N/A)**

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 <i>Is the program purpose clear?</i>	Yes	OFAC is responsible for administering and enforcing economic and trade sanctions against targeted foreign countries, terrorism sponsoring organizations and international narcotics traffickers. Typically, this involves imposing controls on transactions with, and freezing the assets of, targeted foreign entities and individuals. The purpose and scope of each sanctions program is typically laid out in the implementing executive order.	OFAC Mission Statement; International Emergency Economic Powers Act ("IEEPA") and implementing executive orders; Trading With the Enemy Act; United Nations Participation Act; Foreign Narcotics Kingpin Designation Act; Anti-Terrorism and Effective Death Penalty Act of 1996.	20%	0.2
2 <i>Does the program address a specific interest, problem or need?</i>	Yes	Freezing assets and enforcing trade sanctions against specified countries, groups and individuals advance U.S. national security and foreign policy interests.	OFAC derives its authority from Presidential wartime and national emergency powers, as well as through specific authorizing legislation.	20%	0.2
3 <i>Is the program designed to have a significant impact in addressing the interest, problem or need?</i>	Yes	Since September 11th, the United States (OFAC) and its allies have frozen over \$124 million in terrorist assets thus impairing their ability to finance terrorist activities domestically and abroad. Altogether, OFAC is currently freezing about \$4 billion under 24 sanctions programs.	President Bush made disrupting terrorist financing a centerpiece of the War on Terrorism with his signing of Executive Order 13224. Executive Orders, declaring a national emergency with respect to specific threats, and invoking special Presidential IEEPA powers are typically issued as the financial component of an overall response to national security or foreign policy threats.	20%	0.2

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
4 <i>Is the program designed to make a unique contribution in addressing the interest, problem or need (i.e., not needlessly redundant of any other Federal, state, local or private efforts)?</i>	Yes	OFAC is the <b>only</b> government agency with the regulatory authority and organizational infrastructure to enforce trade and economic sanctions and freeze assets of individuals or organizations under U.S. jurisdiction.	Invoking Presidential authority contained in IEEPA and prohibiting economic interaction with a foreign entity or person is the strongest and most expansive (in terms of scope) executive branch action that can be taken short of direct military or law enforcement action.	20%	0.2
5 <i>Is the program optimally designed to address the interest, problem or need?</i>	Yes	There is no evidence to suggest an alternative mechanism would achieve our foreign policy and national security objectives in the area of dismantling terrorist financing or financially weakening U.S. adversaries.	Blocking actions have direct effect because the U.S. dollar is the world's preeminent currency. Almost all dollar denominated financial transfers ultimately clear through banks subject to U.S. jurisdiction.	20%	0.2
<b>Total Section Score</b>				<b>100%</b>	<b>100%</b>

## Section II: Strategic Planning (Yes, No, N/A)

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 <i>Does the program have a limited number of specific, ambitious long-term performance goals that focus on outcomes and meaningfully reflect the purpose of the program?</i>	No	OFAC does not have long-term performance measures but is in the process of developing them for inclusion in the FY 2005 Budget and performance plan (see Section II, question 7 for steps taken to date).		20%	0.0
2 <i>Does the program have a limited number of annual performance goals that demonstrate progress toward achieving the long-term goals?</i>	Yes	OMB and Treasury currently are reviewing and finalizing annual performance measures.	Annual goals are under development and are not yet complete.	20%	0.2
3 <i>Do all partners (grantees, sub-grantees, contractors, etc.) support program planning efforts by committing to the annual and/or long-term goals of the program?</i>	Yes	OFAC's partners bring considerable insight and information that is used to refine and improve blocking orders and actions.	OFAC continuously interacts with the intelligence and law enforcement communities, as well as the State Department and the National Security Council. OFAC is represented on such interagency task forces as Treasury's Operation Green Quest and the FBI's Terrorist Financing Operating Section.	15%	0.2



Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
4 <i>Does the program collaborate and coordinate effectively with related programs that share similar goals and objectives?</i>	NA	There are no other entities with similar goals and objectives (see Section I, question 4)		0%	
5 <i>Are independent and quality evaluations of sufficient scope conducted on a regular basis or as needed to fill gaps in performance information to support program improvements and evaluate effectiveness?</i>	Yes	In recent years, OFAC has been the subject of Congressional and Executive Branch examinations. In 2001, the Judicial Review Commission, established by Congress under the Foreign Narcotics Kingpin Designation Act, completed a comprehensive review of OFAC's legal authority and operations.	OFAC reports to Congress every six months (as required by IEEPA and related statutes) detailing actions taken and amounts blocked under the declared national emergency, as well as reasons for the continuation of the national emergency. Congressional review is required for OFAC's 24 sanction programs.	10%	0.1
6 <i>Is the program budget aligned with the program goals in such a way that the impact of funding, policy, and legislative changes on performance is readily known?</i>	No	OFAC is imbedded in Treasury's Departmental Offices account along with other smaller offices. As such, assessing the impact of policy decisions on performance and budget matters often proves difficult. (See next question for steps taken to date).		10%	0.0
7 <i>Has the program taken meaningful steps to address its strategic planning deficiencies?</i>	Yes	OFAC is in the process of developing stronger long-term and annual performance goals. As a component of Treasury's Departmental Offices (DO), OFAC is working to improve reporting on its budget structure within DO. Treasury is also undertaking a broader effort to develop measures of success in attacking terrorist financing.	OMB, Treasury's Office of Performance Budgeting and OFAC continue to discuss ways to improve strategic planning, including the development of long-term and annual performance goals and measures.	25%	0.3
<b>Total Section Score</b>				<b>100%</b>	<b>70%</b>

Section III: Program Management (Yes,No, N/A)					
Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 <i>Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?</i>	Yes	OFAC collects and tabulates information on blocked assets, penalties and fines assessed, criminal cases pursued and various categories of licenses issued.	OFAC's regulations require reports within 10 days of blockings and comprehensive annual reports by holders of blocked property (31 CFR Part 501.603). OFAC also records information on penalties and fines, criminal cases, and licenses issued. In addition, many of OFAC's licenses contain specific reporting requirements.	20%	0.2
2 <i>Are Federal managers and program partners (grantees, subgrantees, contractors, etc.) held accountable for cost, schedule and performance results?</i>	No	OFAC does not use performance measures to evaluate SES or mid-level managers.		10%	0.0
3 <i>Are all funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?</i>	Yes	OFAC rarely lapses S&E funds.	Treasury Annual Report, Budget Execution reports	15%	0.2
4 <i>Does the program have incentives and procedures (e.g., competitive sourcing/cost comparisons, IT improvements) to measure and achieve efficiencies and cost effectiveness in program execution?</i>	No	There are no such procedures in place, but OFAC currently is undergoing an independent review of its internal procedures and IT systems.	A consulting firm is assessing OFAC's information technology and internal procedures to improve efficiency and transparency. OFAC also is exploring the creation of an advisory committee under the Federal Advisory Committee Act to identify potential efficiencies.	10%	0.0
5 <i>Does the agency estimate and budget for the full annual costs of operating the program (including all administrative costs and allocated overhead) so that program performance changes are identified with changes in funding levels?</i>	No	Budget allocations and spending for OFAC are difficult to track since it is a component of the Departmental Offices (DO) account. The 2004 Budget will resolve this dilemma by earmarking OFAC's budget allocation in the DO appropriation.		10%	0.0
6 <i>Does the program use strong financial management practices?</i>	Yes	There are no financial management related weaknesses at OFAC.	Treasury Accountability Report	15%	0.2
7 <i>Has the program taken meaningful steps to address its management deficiencies?</i>	Yes	OFAC is working within the context of the President's Management Agenda (PMA) to improve budget/performance integration.	Treasury quarterly PMA Submissions	20%	0.2

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
<b>Total Section Score</b>				<b>100%</b>	<b>70%</b>

**Section IV: Program Results (Yes, Large Extent, Small Extent, No)**

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 <i>Has the program demonstrated adequate progress in achieving its long-term outcome goal(s)?</i>	No	OFAC does not have long-term outcome goals, but is in the process of developing them. Treasury is undertaking a broader effort to develop measures of success in attacking terrorist financing.	Per PART instructions, program received a "no" on Section II, question 1 necessitating a "no" for this particular question.	30%	0.0
		Long-Term Goal I: Target: Actual Progress achieved toward goal:	Measures under development.		
		Long-Term Goal II: Target: Actual Progress achieved toward goal:			
		Long-Term Goal III: Target: Actual Progress achieved toward goal:			
2 <i>Does the program (including program partners) achieve its annual performance goals?</i>	Large Extent	Although Treasury is developing new measures, OFAC would have achieved targets if preliminary measures were in place in FY 2002.		30%	0.2
		Key Goal I: Performance Target: Actual Performance:	Timely development of trade sanction programs. Targets under development.		
		Key Goal II: Performance Target: Actual Performance:	Compliance with US trade sanctions. Targets under development.		
		Key Goal III: Performance Target: Actual Performance:			
3 <i>Does the program demonstrate improved efficiencies and cost effectiveness in achieving program goals each year?</i>	No	OFAC does not have any means to measure efficiencies.		20%	0.0

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
4 <i>Does the performance of this program compare favorably to other programs with similar purpose and goals?</i>	NA	There are no other entities with similar goals and objectives (see Section I, question 4)		0%	
5 <i>Do independent and quality evaluations of this program indicate that the program is effective and achieving results?</i>	Yes	Recent newspaper and private reports note Treasury's role in blocking over \$124 million worldwide, seizing over \$16 million in bulk cash smuggling schemes and arresting numerous individuals and organizations with financial ties to terrorists.	Blocking assets is just one component of the Financial War on Terrorism. Other components include curtailing bulk cash smuggling and dismantling fundraising channels. OFAC plays a central role in all of these areas.	20%	0.2
<b>Total Section Score</b>				<b>100%</b>	<b>40%</b>

## OMB Program Assessment Rating Tool (PART)

### *Regulatory Based Programs*

Name of Program: **OTS Thrift Supervision**

**Section I: Program Purpose & Design (Yes, No, N/A)**

	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1	<i>Is the program purpose clear?</i>	Yes	Home Owners' Loan Act authorizes the Office of Thrift Supervision (OTS) to charter, examine, supervise and regulate savings associations.	Home Owners' Loan Act, Federal Deposit Insurance Act, and OTS Mission Statement as stated in the Strategic Plan reinforce the program's purpose.	20%	0.2
2	<i>Does the program address a specific interest, problem or need?</i>	Yes	A thrift industry operating in a safe and sound manner, serves a important public need.	Industry assets are close to \$1 trillion. Thrifts originate approximately 20% of all mortgages in the U.S., and they hold nearly one-half trillion dollars in whole mortgages and mortgage-backed securities. Current industry data; OTS Quarterly Press Releases.	20%	0.2
3	<i>Is the program designed to have a significant impact in addressing the interest, problem or need?</i>	Yes	OTS charters all Federal savings associations and is the primary federal regulator for all FDIC-insured savings associations.	OTS Mission Statement as stated in the Strategic Plan, enforcement actions, charter applications.	20%	0.2
4	<i>Is the program designed to make a unique contribution in addressing the interest, problem or need (i.e., not needlessly redundant of any other Federal, state, local or private efforts)?</i>	No	OTS is uniquely charged with ensuring that thrifts provide housing finance to borrowers in a safe and sound manner and is the only regulator that uses a comprehensive model to assess and supervise interest rate risk. However, FDIC performs limited supervision of thrift institutions. Depository institutions are regulated by a complex, overlapping structure of Federal and State agencies. Other agencies, including the Office of Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA) and the Federal Reserve Bank (FRB), perform similar types of regulatory functions in the banking industry.	OCC Strategic Plan, NCUA Strategic Plan, and FDIC Strategic Plan all reflect similar regulatory functions as OTS.	20%	0.0

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
5	<i>Is the program optimally designed to address the interest, problem or need?</i>	Yes	The program is designed to operate in an effective and efficient manner. OTS focuses its examination and supervision practices on risk and uses an Interest Rate Risk model as a measurement tool. As OTS charges thrifts for the cost of supervision, it imposes financial incentives on them to operate in accordance with OTS's regulations. OTS is motivated to find the most cost-effective practices because assessments on thrifts are the source of OTS's funding. There are ways that OTS could improve its program, specifically by demonstrating the effectiveness of the use of compliance self-examinations and by taking steps to examine long-term systemic risks in the industry.	OCC Strategic Plan	20%	0.2
<b>Total Section Score</b>					<b>100%</b>	<b>80%</b>

**Section II: Strategic Planning (Yes, No, N/A)**

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
1	<i>Does the program have a limited number of specific, ambitious long-term performance goals that focus on outcomes and meaningfully reflect the purpose of the program?</i>	Yes	OTS has three long-term goals that reflect its mission and achieve critical outcomes in support of national economic policy: (1) thrifts operate in a safe and sound manner to protect depositors' savings; (2) a flexible regulatory framework enables the industry to provide a full competitive array of financial services; and (3) access to financial services and treatment of thrift customers are fair.	OTS GPRA Performance Plan and Strategic Plan.	14%	0.1
2	<i>Does the program have a limited number of annual performance goals that demonstrate progress toward achieving the long-term goals?</i>	Yes	OTS has several performance goals to demonstrate progress toward achieving the long-term output goals, including (1) adequate capitalization in thrift institutions; (2) completion of examination objectives stated in customer service plan; and (3) containment of financial regulatory burden on thrifts.	OTS GPRA Performance Plan and Strategic Plan.	14%	0.1

	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
3	<i>Do all partners (grantees, sub-grantees, contractors, etc.) support program planning efforts by committing to the annual and/or long-term goals of the program?</i>	N/A	This program does not have partners (grantees, contractors, etc.)			
4	<i>Does the program collaborate and coordinate effectively with related programs that share similar goals and objectives?</i>	Yes	OTS has joined other financial institution regulatory agencies as part of the Federal Financial Institutions Examination Council (FFIEC) in an effort to develop common examination policies and procedures.	OIGs' 2002 review entitled "Joint Evaluation of the Federal Financial Institutions Examination Council" concluded that the FFIEC is accomplishing its mission of prescribing uniform principles, standards, and report forms and is achieving coordination between the banking agencies. The report further concluded that the FFIEC and the banking agencies have issued guidance responsive to the major risks and emerging issues facing the industry between 1997 and 2001 (the period of the study) and had achieved uniformity in critical areas such as common examination rating systems and standard quarterly financial reports submitted by insured institutions (see report pages 5, 6, 10-14). FFIEC annual reports; joint interagency bank supervision conferences.	14%	0.1
5	<i>Are independent and quality evaluations of sufficient scope conducted on a regular basis or as needed to fill gaps in performance information to support program improvements and evaluate effectiveness?</i>	Yes	Evaluations or program performance reviews are conducted on a periodic basis to examine effectiveness and to consider program improvements.	Regular audits of supervisory programs and cases by GAO, Treasury IG, FDIC and IG. It is anticipated that audits will continue to address specific programmatic issues.	14%	0.1
6	<i>Is the program budget aligned with the program goals in such a way that the impact of funding, policy, and legislative changes on performance is readily known?</i>	Yes	As a non-appropriated bureau, OTS monitors the impact of funding, policy, legislative changes, and the risks to regulated institutions. The budget is aligned with program goals and projected assessments, which is the source of OTS funding.	The OTS FY04 Budget reflects program goals.	14%	0.1

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
7	<i>Has the program taken meaningful steps to address its strategic planning deficiencies?</i>	Yes	OTS has defined long-term goals that state useful outcomes and measures of progress. Major reductions in expenses (without increases in assessments) in FY2002 enabled OTS to further refine its strategic and performance plans in FY 2003 and beyond.	OTS GPRA Performance Plan and Strategic Plan.	14%	0.1
8 (Reg 1.)	<i>Are all regulations issued by the program/agency necessary to meet the stated goals of the program, and do all rules clearly indicate how the rules contribute to achievement of the goals?</i>	Yes	Regulations are promulgated based upon statutory requirements or as prompted by safety and soundness concerns. OTS Mission Statement, Federal Register documents and industry correspondence provide the basis for agency actions. Public comment is sought on all major regulatory actions.	Home Owners' Loan Act, Federal Deposit Insurance Act, Federal Register documents, comment letters, and CEO letters.	14%	0.1
<b>Total Section Score</b>					<b>100%</b>	<b>100%</b>

**Section III: Program Management (Yes, No, N/A)**

	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
1	<i>Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?</i>	Yes	OTS regularly monitors examination ratings and quarterly financial data to assess the condition of the industry. OTS uses this information to help problem institutions take corrective actions.	Internal data systems collect, process, and analyze financial and examination data. Quarterly press releases announce the financial condition of the industry.	8%	0.1
2	<i>Are Federal managers and program partners (grantees, subgrantees, contractors, etc.) held accountable for cost, schedule and performance results?</i>	Yes	The Director and Deputy Director hold Regional Directors accountable for supervision of their caseloads of thrifts and the administration of their respective regional offices. Regional Directors are responsible for effective management of statutory examination schedules, annual budgets, and human resources. Regional Directors and all their staff have established performance plans that serve as the basis for annual performance ratings and merit-based salary increases (OTS does not grant any annual cost-of-living increases to salary).	Regional Manager meetings held ten times each year. Weekly significant activity reports submitted to the Deputy Director. Annual performance ratings and merit increases.	8%	0.1



	<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>
3	<i>Are all funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?</i>	Yes	Funds are obligated for their intended purpose. Budget plans may be adjusted during the year if changes to the projected assessments are anticipated. The Information Review Board (IRB) monitors information technology (IT) obligations and expenses.	Obligation and expenses are regularly reviewed by the Deputy Director and Director. The IRB receives reports summarizing IT expenses at quarterly meetings.	8%	0.1
4	<i>Does the program have incentives and procedures (e.g., competitive sourcing/cost comparisons, IT improvements) to measure and achieve efficiencies and cost effectiveness in program execution?</i>	Yes	The assessment rates for regulated institutions provide incentives for thrifts to operate safely and soundly. Institutions with higher risks are assessed at a higher rate. Internally, timeliness and efficiencies of exams are monitored and discussed at monthly meetings. Internal reports are provided to regional managers. An internal incentive is to avoid assessment increases to the industry by aligning expenses with revenue, even when budget reductions are necessary (from FY 2002 to FY 2003, OTS's budget has been reduced by 4 percent).	Thrift Bulletin 48-18 provides the assessment rates.	8%	0.1
5	<i>Does the agency estimate and budget for the full annual costs of operating the program (including all administrative costs and allocated overhead) so that program performance changes are identified with changes in funding levels?</i>	Yes	The entire OTS budget supports the thrift supervision program and identifies all spending categories.	OTS FY2003 Performance Plan.	8%	0.1
6	<i>Does the program use strong financial management practices?</i>	Yes	OTS had no material weakness, reportable conditions, or instances of non-compliance identified in FY01 or FY02.	OTS received consecutive unqualified opinions on its financial statements since 1990.	8%	0.1
7	<i>Has the program taken meaningful steps to address its management deficiencies?</i>	Yes	OTS is completing the implementation of a common regional management structure designed to minimize regional inconsistencies that might result in management deficiencies.	The regional structure changes were materially completed in 2002 with all regions shifting to a common managerial structure. See OTS CEO memo 157, and memo to all employees, both dated 4/11/02.	8%	0.1
8 (Reg 1.)	<i>Did the program seek and take into account the views of affected parties including state, local and tribal governments and small businesses, in drafting significant regulations?</i>	Yes	Small Business Administration, Council of State Bank Supervisors, and state attorneys general are provided advance copies of regulatory proposals prior to formal publication. Opportunity for public comment is provided on all major regulatory actions.	Transmittal letters and responses; Federal Register documents	8%	0.1

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
9 (Reg 2.) <i>Did the program prepare, where appropriate, a Regulatory Impact Analysis that comports with OMB's economic analysis guidelines and have these RIA analyses and supporting science and economic data been subjected to external peer review by qualified specialists?</i>	Yes	OTS has only had one regulation that is deemed a Significant Regulatory Action based on legal policy reasons rather than potential economic impact. The vast majority of OTS's regulations do not constitute significant regulatory actions as that term is defined in the executive order.	OTS monitors the impact of this regulation by reviewing input from a variety of sources. OTS monitors data collection and burden estimates pursuant to the Paperwork Reduction Act. Recently, OTS has reviewed the study the FRB prepared after Gramm-Leach-Bliley Act (GLBA) and comments received on an advance notice of proposed rulemaking on the Community Reinvestment Act (CRA) rule.	8%	0.1
10 (Reg 3.) <i>Does the program systematically review its current regulations to ensure consistency among all regulations in accomplishing program goals?</i>	Yes	By statute, OTS must perform a regulatory review every 10 years. OTS has, independent of the statute, performed three such reviews within the last 10 years. OTS Policy Coordination Group regularly reviews regulatory proposals for consistency.	Within the last 10 years, OTS changed regulations by eliminating or modifying outdated ones, or by adding new ones, including rewriting regulations in plain English.	8%	0.1
11 (Reg 4.) <i>In developing new regulations, are incremental societal costs and benefits compared?</i>	No	While the OTS takes into account costs and benefits when developing and issuing new regulations, formal cost-benefit analyses are not routinely performed on proposed rules. Depositor/borrower impact, in conjunction with institution cost and administrative burden, is weighed in determining issuance and structure of regulations and other agency pronouncements. However, OTS does not perform a quantitative cost-benefit analyses.	Federal Register documents, industry correspondence, public comment letters, OTS written testimony on Superior Bank failure	8%	0.0
12 (Reg 5.) <i>Did the regulatory changes to the program maximize net benefits?</i>	Yes	Given statutory constraints, regulations are promulgated following review and analysis of public comments. Cost both to OTS and regulated institutions are factors considered in the regulatory process.	Federal Register documents, industry correspondence, and public comment letters.	8%	0.1
13 (Reg 6.) <i>Does the program impose the least burden, to the extent practicable, on regulated entities, taking into account the costs of cumulative final regulations?</i>	Yes	To the extent permitted, regulations and pronouncements address safety and soundness concerns in a general manner and avoid imposition of specific, inflexible requirements. Examinations are conducted with minimal disruption. Regulated institutions file required data electronically.	Federal Register documents, industry correspondence, OTS Handbooks, and examination programs	8%	0.1
<b>Total Section Score</b>				<b>100%</b>	<b>92%</b>

	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
<b>Section IV: Program Results (Yes, Large Extent, Small Extent, No)</b>						
1	<i>Has the program demonstrated adequate progress in achieving its long-term outcome goal(s)?</i>	Large Extent	Supervisory oversight has resulted in few failures and problem thrifts while capital and earnings are at the highest levels in history.	Refer to the three goals below.	20%	0.1
<p>Long-Term Goal I: A safe and sound thrift industry. Target: 90% of thrifts with composite CAMELS ratings of 1 or 2. Actual Progress achieved toward 90% goal:</p> <p>Long-Term Goal II: Flexible regulatory framework that enables the thrift industry to provide a full competitive array of financial services. Target: 95% of applications completed within time frames. Actual Progress achieved toward 99% goal:</p> <p>Long-Term Goal III: Fair access to financial services and fair treatment of thrift customers. Target: 90% of thrifts with consumer compliance ratings of 1 or 2. Actual Progress achieved toward 92% goal:</p>						
2	<i>Does the program (including program partners) achieve its annual performance goals?</i>	Yes	The performance goals contained in the annual GPRA plan are monitored and updated annually. These goals meet their stated objectives.	Refer to the three goals below.	20%	0.2
<p>Key Goal I: OTS-regulated thrifts are adequately capitalized. Performance Target: 95% of thrifts are well capitalized. Actual Performance: 98%</p> <p>Key Goal II: OTS meets examination objectives stated in customer service plan. Performance Target: 80% of thrifts rate the examination process as satisfactory. Actual Performance: Progress will be determined in 2003 since this performance goal/target is new.</p> <p>Key Goal III: Minimize financial regulatory burden on thrifts. Performance Target: Increase assessment rates by no more than the rate of inflation. Actual Performance: No assessment rate increases in 2002.</p>						
3	<i>Does the program demonstrate improved efficiencies and cost effectiveness in achieving program goals each year?</i>	Yes	OTS completed a restructuring in FY02 reducing the number of regional offices from 5 to 4. Staff size was reduced to match workload demands and the consolidation of the industry.	During the restructuring, administrative functions were centralized and supervisory resources combined.	20%	0.2
4	<i>Does the performance of this program compare favorably to other programs with similar purpose and goals?</i>	NA	It is impossible to compare program performance until the financial regulatory agencies, such as FDIC OCC, and NCUA, better align outcome goals and related measures.	OTS Strategic Plan, OCC Strategic Plan, and NCUA Strategic Plan.		
5	<i>Do independent and quality evaluations of this program indicate that the program is effective and achieving results?</i>	Yes	During the second quarter of 2002, the OTS-regulated thrift industry reported earnings and profitability that support continued health and profitability. More than 98 percent of the industry exceeded well-capitalized standards.	Well-capitalized thrifts held 99.9 percent of industry assets. FDIC is the provider of insurance to thrifts, and analyzes industry financial data and related OTS examination data.	20%	0.2

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
6 (Reg 1.) <i>Were programmatic goals (and benefits) achieved at the least incremental societal cost and did the program maximize net benefits?</i>	Yes	Regulations are issued following analysis of public comments and are general in scope, given statutory constraints. Examinations are conducted in the least disruptive, most cost-effective manner.	Federal Register documents, examiner guidance, industry correspondence	20%	0.2
<b>Total Section Score</b>				<b>100%</b>	<b>93%</b>

## PART Performance Measurements

**Program:** Submission Processing (SP)  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Results Not
100%	42%	72%	75%	Demonstrated

**1.1 Is the program purpose clear?**

Answer: YES

Question Weight 25%

**Explanation:** The program ensures that taxpayers are credited for paying their taxes. It includes both paper and electronic filing. The current focus is on increasing the relative proportion of electronically-filed returns and payments.

**Evidence:** All documents cited here and elsewhere will be provided as needed. **EVIDENCE:** 16th Amendment to the Constitution, which authorized the national income tax; Internal Revenue Code, Title 26, Subtitle F, Chapter 61, Subchapter A, Part VII, Section 6091, which gave the Secretary of the Treasury the authority to prescribe how returns would be filed; IRS Mission Statement ([www.ser.irs.gov](http://www.ser.irs.gov)); Wage & Investment and Small Business Self Employed Mission Statements (Division websites); Submission Processing Mission Statement; Submissions Processing Branch & Section Mission Statements (Internal Revenue Manual 1.1.13.10.3 Wage & Investment ). Also, Restructuring and Reform Act of 1998 establishes the electronic filing policy; IRS Strategy & Program Plans and the Electronic Tax Administration Strategy for Growth reiterate IRS's mission of revolutionizing how taxpayers transact and communicate with the IRS.

**1.2 Does the program address a specific and existing problem, interest or need?**

Answer: YES

Question Weight 25%

**Explanation:** The program processes Federal tax returns, related documents and payments. The processes are reviewed and revised each year to incorporate changes in legislation and regulations. The emphasis on e-filing addresses the Restructuring and Reform Act of 1998 requirement that 80% of all tax and information returns are to be filed electronically by 2007. Faster refunds, positive acknowledgement of receipts, and fewer errors are some of the key benefits of e-filing. The IRS has undertaken several initiatives to improve e-services for individuals and practitioners; the internet application, 'Where's My Refund?' for individual taxpayers and the on-line application for an Employer Identification Number for business taxpayers. Future e-services for practitioners, include on-line registration for tax professionals; on-line application for a Preparer Tax Identification Number (PTIN); Taxpayer Identification Number matching for payer and individual information; an on-line e-file application; electronic transmission of disclosure authorization; electronic account resolution; and an on-line transcript delivery system.

**Evidence:** Submissions Processing provides oversight for the entire filing season, starting with the Filing Season Readiness process, daily/weekly monitoring of receipts and inventories, weekly Production meetings, bi-weekly directors' conference calls, periodic program reviews, and an annual Filing Season Critique. **EVIDENCE:** IRS, Wage & Investment, and Small Business & Self Employed mission statements; Pipeline Status Reports; Work Planning & Control Reports; daily inventory summary reports, daily Program Completion Date progress reports, and Individual Income Tax Returns Received and Processed National Summary Report; Restructuring and Reform Act of 1998; Small Business & Self Employed Tax Return Summary Report.

## PART Performance Measurements

**Program:** Submission Processing (SP)  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Results Not
100%	42%	72%	75%	Demonstrated

**1.3**      **Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?**      Answer: YES      Question Weight 25%

**Explanation:** Submission Processing does not duplicate any other effort. It processes all individual and business federal tax returns and payments (paper and electronic returns). In 2003, the IRS processed 172.2 million individual and business tax returns. IRS cooperates with the states on electronic filing, which produced 22.5 million Fed/State combined electronically-filed returns this filing season, and with the private sector on such initiatives as the new Free File program, through which over 2.7 million electronic returns were filed this year.

**Evidence:** IRS maintains active partnerships for information sharing with local tax agencies to reduce a duplication of effort at the local level. The IRS/FMS offsets tax refunds for any taxes that filers owe to the states. IRS is the only Congressionally-mandated organization approved to receive and process tax return information. Restructuring and Reform Act of 1998 further encourages IRS to cooperate with and encourage the private sector by encouraging competition to increase electronic filing of returns.

**1.4**      **Is the program design free of major flaws that would limit the program's effectiveness or efficiency?**      Answer: YES      Question Weight 25%

**Explanation:** The paper and e-file programs are free of major flaws. Submission Processing performs an Annual Management Accountability Review to ensure an effective and efficient program. The intent of the Management Accountability Review is to assist managers in fulfilling their legal responsibility to review management and internal controls on procedures or subsystems in their operations and to reduce or eliminate fraud, waste, and abuse of government funds by identifying and correcting deficiencies. Program performance measures are used to monitor progress in processing timeliness and accuracy. Directors are held accountable for the performance of their site on each measure. Submissions Processing's error rate for electronically-filed returns is less than 1% and it received a rating of 78 on the most recent American Customer Satisfaction Index survey. The IRS is developing electronic services and increasing the number of tax forms that can be filed electronically to make electronic filing more attractive to practitioners.

**Evidence:** Efficiency measures are used to evaluate processing timeliness and accuracy. Submissions Processing produces monthly National, Business Operating Division, and site reports for each of these measures ([notes3.ausc.irs.gov/sphome.nsf](http://notes3.ausc.irs.gov/sphome.nsf)). Annual goals are set and monitored for each measure. Measure results are discussed at the monthly Operational Reviews. **EVIDENCE:** Internal Revenue Manual 3.0.257 Management Accountability Review; Treasury Inspector General for Tax Administration and General Accounting Office Audits; Management Information System for Top Level Executives Reports; Pipeline Status Reports; Work Planning & Control Reports; Program Reviews; FY 2003-2004 Strategy & Program Plan, Monthly Balanced Measures Reports, American Customer Satisfaction Index - e-file Service Center Report - Project Report Survey of Electronic Federal Tax Payment System Users Project 1-02-08--3-006; Annual Assurance Process.

**1.5**      **Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?**      Answer: NA      Question Weight: 0%

**Explanation:** The program provides a general benefit that cannot be assigned to a particular service population

**Evidence:**

## PART Performance Measurements

**Program:** Submission Processing (SP)  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Results Not
100%	42%	72%	75%	Demonstrated

**2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?** Answer: NO Question Weight:16%

**Explanation:** The IRS in general, does not have outcome measures. It has a limited number of long-term output measures, such as number of tax returns processed. These input/output measures are insufficient by themselves to measure performance. They are necessary, however, to allow IRS plan workload requirements. Once IRS is able measure unit costs, the Service should be able to improve these measures.

**Evidence:** EVIDENCE: FY 2003-2004 Strategy & Program Plan; Research projection documents; Electronic Tax Administration Strategy for Growth

**2.2 Does the program have ambitious targets and timeframes for its long-term measures?** Answer: NO Question Weight:14%

**Explanation:** Most returns processing measures have long-range targets of three years into the future, developed as part of the Strategy & Program Plan process. IRS has targets for the percentage of returns filed electronically, but these year-by-year targets will not get them to the Congressionally-mandated 80% of all tax and information returns that are to be filed electronically by 2007. Although not currently projected to reach the 2007 target, electronic filing percentages will increase and the IRS is reducing the number of its paper processing sites. Two Business Systems Modernization projects, e-services and Modernized e-file, should encourage additional growth in e-filing. Legislative changes, such as extending the due date for electronically filed returns would also help. The Customer Account Data Engine (CADE), which will be implemented incrementally over 7-10 years, will increase the efficiency of submissions processing. For example, CADE will allow daily, rather than weekly, posting of tax return data. This will reduce the time it takes for taxpayers to receive tax refunds.

**Evidence:** EVIDENCE: Congressional Budget Justification; FY 2003-2004 Strategy & Program Plan; Business Performance Review System; Draft Report on Business Continuity and Resumption Plan for Returns Processing; Research projection documents. See performance measures tab of PART.

**2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?** Answer: NO Question Weight:14%

**Explanation:** Submission Processing has performance measures for both paper returns and electronic returns. Targets are set for each measure annually through the Strategy & Program Plan process. Each measure is then monitored and evaluated monthly for efficiency, effectiveness, and progress against targets. Performance measures for employee satisfaction, customer satisfaction, and business results (quantity & quality) are used to monitor program progress. The purposes of the measures are to ensure measurement data are available to provide a basis for measuring and improving work products by: identifying sources of error from processing systems, procedural, instructions, campus and taxpayer action or inaction; identifying and analyzing defect trends; recommending and submitting corrective action; following up with reviews to ensure the corrective action was effective; and, providing input to National Balanced Measure reports.

**Evidence:** EVIDENCE: FY 2003-2004 Strategy & Program Plan; Annual Extract Reports; Research Weekly Tracking Report.

**2.4 Does the program have baselines and ambitious targets for its annual measures?** Answer: NO Question Weight:14%

**Explanation:** Historical data is used to set annual and long-term targets for paper and e-file performance measures. IRS sets corporate and site-level targets for the current year and two out-years for each performance measure. Each year the IRS includes the impact of system productivity improvements and expected staff productivity (which is affected by training and years on the job) to inform its revised performance targets.

**Evidence:** EVIDENCE: FY 2003-2004 Strategy & Program Plan; Research Projections; Project Management Office/Campus consolidation documents.

## PART Performance Measurements

**Program:** Submission Processing (SP)  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Results Not
100%	42%	72%	75%	Demonstrated

**2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?**      Answer: YES      Question Weight:14%

**Explanation:** Submission Processing works with internal (IRS) and external partners achieve annual and long term goals and to remove impediments to e-filing. The success of the program depends on the participation of the following internal partners: 1. processing center staffs; 2. electronic tax administration staff; 3. information systems staff; and; 4. education and outreach staffs (these staff work with tax practitioners and stakeholders to increase the number of returns and payments filed electronically). The IRS holds National Tax Forums at which it promotes e-filing. Most recently IRS worked with the Free File Alliance (a consortium of private sector firms) to launch free internet filing for which over 60% of individual taxpayers would be eligible. IRS encouraged e-file at its Volunteer Income Tax Assistance and Tax Counseling for the Elderly sites and this resulted in 950,000 e-filed returns at those sites. Another external partner for paper processing is the Financial Management Service's lockbox network that processes tax payments.

**Evidence:** IRS/Treasury has Memoranda of Understanding with other agencies to support Submissions Processing activities: FMS's Lockbox (accelerates the deposit of funds to the Treasury); Department of Labor (eligibility for the Health Care Credit); US Postal Service (update addresses); and the Social Security Administration (updated social security numbers, birth dates and citizenship). The national office performs annual independent program reviews at processing sites to evaluate effectiveness and relevance of program improvements. **EVIDENCE:** Program Review Trip reports; GAO 03-314 2002 Tax Filing Season Audit; GAO 03-143 Tax Filing Performance Measures; Internal Revenue Manual 3.0.275 Balanced Measure Procedures for Submission Processing Functions; Annual FMS/IRS contract for lockbox; Pipeline Service contracts; Daily Production Monitoring report from the lockbox financial institutions; FMS Status IRS Lockbox Report; Electronic Tax Administration Advisory Committee Charter; Free File Alliance Agreement, & 10/15/02 Rossotti "Impediments to e-file" Memorandum.

**2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?**      Answer: YES      Question Weight:14%

**Explanation:** Both GAO and the Treasury Inspector General for Tax Administration (TIGTA) perform annual audits of the efficiency and effectiveness of the tax filing season and IRS's returns processing function. IRS responds to all audit recommendations. The Pacific Consulting Group prepared an independent Customer Satisfaction Survey on selected market segments. This survey was an opportunity to hear from the full taxpayer base on a broad range of customer service issues. The research should help develop a clear perspective on who the customers are, how they use Submission Processing services, and how to prioritize strategies for improving customer satisfaction. In addition, Electronic Tax Administration Advisory Committee submits an Annual Report to Congress on the status of the e-file program. The IRS e-file program received a ranking of 78 on the most recent American Customer Survey Index survey compared to an average of 70.2 for government agencies overall.

**Evidence:** **EVIDENCE:** Office of Audit Fiscal Year 2003 Annual Audit Plan; Market Segment Survey National Report Issued December 2002; TIGTA/GAO Audit Reports; Electronic Tax Administration Advisory Committee Report to Congress.



## PART Performance Measurements

**Program:** Submission Processing (SP)  
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1	2	3	4	Results Not
100%	42%	72%	75%	Demonstrated

**2.7**      **Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?**      Answer: YES      Question Weight:14%

Explanation: Budget requests are tied to the accomplishment of annual and long-term performance goals. Budget requests for the next Strategic Planning cycle include redistribution of work and equipment in support of the long-term goal of processing more e-file returns than paper returns. Annually, all returns and payments must be processed timely. FTE and dollars are allocated to accomplish the anticipated number of returns and payments to be processed. Adjustments are made as needed to ensure the program is fully funded and staffed.

Evidence: Work Plans are developed by the functions then loaded into the Budget Formulation System and the FTE base is adjusted based on the approved program initiatives. This information is then downloaded into the Automated Financial System, which tracks the FTE usage throughout the fiscal year. EVIDENCE: Congressional Justification; FY 2003-2004 Strategy & Program Plan Drivers of Program Resources; Work Plans; Submissions Processing Mission Critical Projects List

**2.8**      **Has the program taken meaningful steps to correct its strategic planning deficiencies?**      Answer: NA      Question Weight: 0%

Explanation:

Evidence:

**3.1**      **Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?**      Answer: YES      Question Weight:16%

Explanation: Performance measures are reviewed monthly at the corporate and site levels and continuing improvement efforts are made to achieve annual goals. IRS uses these projections for staffing and workload planning purposes. Managers have intranet access to weekly statistics on receipts, production, and inventories. Internal monitoring reports are used to manage performance results to ensure processing timeliness and accuracy is achieved. In addition to monitoring business results, the IRS conducts annual surveys to solicit feedback from the tax preparation industry to determine their satisfaction with IRS's electronic and on-line filing services. Satisfaction rates for e-file products and services are quite high at an 85% level.

Evidence: Inventory and receipt data is collected on a daily basis. If a site encounters difficulties in processing its inventories, transshipment can be implemented. Data is analyzed and used to make recommendations for correction of systemic errors and site-specific recommendations to improve performance (areas to focus on in training, additional reviews that are needed, etc.). EVIDENCE: FY 2003-2004 Strategy & Program Plan; Management Information System for Top Level Executives Reports; Balanced Measures Monitoring Reports; Pipeline Status Reports; Work Planning & Control Reports; Electronic Tax Administration and Market Segment customer surveys and focus group reports; Research projections.

## PART Performance Measurements

**Program:** Submission Processing (SP)  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Results Not
100%	42%	72%	75%	Demonstrated

**3.2**      **Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?**      Answer: YES      Question Weight:14%

**Explanation:** Annual work plans are prepared for each campus with management input. These work plans include forecasts from the national office and assumptions from pending legislation and expected productivity/efficiency gains. Work schedules are prepared based on the annual plan. The weekly Work Planning & Control report is monitored for program efficiency, including production rate and cost usage. Submission Processing has linked its personnel evaluations to established processing goals and measures. Managers are evaluated based on achieving "commitments" outlined in their individual plans. These commitments are actions designed to move the bureau toward its goals. In addition, this fall, the IRS is implementing a new program, Integrated Financial System, which provides the linkage between resources consumed and results achieved - Performance Based Budgeting. Performance Based Budgeting will directly relate the labor, materials, and other costs to program outputs.

**Evidence:** In 2001 and 2002, an 'all-manager' Leadership Conference was held at each site, focusing on performance measures. Several sites instituted a 'Balanced Measures Champion' concept, in which each Operations Manager was assigned a specific measure to focus on. These managers included commitments associated with their specific measure in their annual assessments, making them accountable for their site's performance. Also, at the Leadership Conferences, management was directed to engage all employees in the Balanced Measures process. **EVIDENCE:** Balanced Measures Reports; FY 2003 Work Schedule Guidelines Call Memorandum; 2002 Program Review Trip reports; FY 2003 Work Plans; Work Schedules; Work Planning & Control Reports; Daily pipeline status reports; daily inventory summary reports; daily Program Completion Date progress reports; weekly Management Information System for Top Level Executives and Individual Income Tax Returns Received and Processed reports; Small Business & Self Employed Tax Return Summary Report.

**3.3**      **Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?**      Answer: YES      Question Weight:14%

**Explanation:** The workload for submissions processing is driven by the due dates for tax and information returns -- it rises significantly in the second quarter. The program is funded through an annual salaries and expenses account and follows a fairly predictable spending pattern. The more accurate are the IRS's week-by-week workload projections (upon which staffing levels are based), the more efficient are the processing centers. Generally, Submissions Processing uses all of the allocated resources allotted for the fiscal year to meet its return processing responsibilities. In situations when returns processing FTE can't be used efficiently by returns processing, they are temporarily reallocated to another function, such as Accounts Management.

**Evidence:** **EVIDENCE:** Financial reports [S.F. 133/132s]

## PART Performance Measurements

**Program:** Submission Processing (SP)  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Results Not
100%	42%	72%	75%	Demonstrated

**3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?** Answer: NO Question Weight:14%

**Explanation:** Although the IRS tries to constantly improve returns processing productivity, the Service is hampered because it does not have reliable, comprehensive unit cost data. The annual strategic plan process identifies ways to support improved efficiencies through IT improvements. For example, Submissions Processing implemented the Remittance Transaction Research (RTR) System, an on-line database containing deposit information, which eliminated many paper payment documents. Also, as the proportion of e-filed returns increases, the costs of submissions processing will decline. New services for tax preparers who electronically file some minimum number of returns each year are being designed to promote e-filing: On-line registration, Preparer ID, electronic accounts resolution, and transcript delivery system. Other major systems modernization projects, such as Customer Account Data Engine, will increase returns processing efficiencies by reducing cycle times, making errors easier to find and correct (thereby eliminating some of the notices mailed to taxpayers). These systems will be developed incrementally over the next ten years.

**Evidence:** IRS is modernizing its financial systems (Integrated Financial Systems project), which will allow comprehensive cost accounting. The first module, which will improve unit costing, will be launched this fall. EVIDENCE: FY 2003-2004 Strategy & Program Plan; Request for Information Services Process; Management Information System for Top Level Executives Reports; Management Information Systems Data Warehouse Source Files; Pipeline Status Reports; Work Planning & Control Reports; Balanced Measures; Drivers of Program Resources report; 3/14/2000 Booz Allen & Hamilton Study. Cost Estimate Reference Internal Revenue Manual 3.30.10 (revised 7-2001).

**3.5 Does the program collaborate and coordinate effectively with related programs?** Answer: YES Question Weight:14%

**Explanation:** The program coordinates with all other related IRS programs about filing season issues. Before the filing season, centers must answer specific questions about their readiness (staffing plans, resources, training, equipment, space, any changes in programming or procedures, and Business Measures goals). A cross-functional team visits the processing sites to review plans and discuss national office concerns. Each site has contingency plans covering filing pattern changes or work that may require transfer to another site. Also, future IRS policies and the direction of the electronic filing of tax returns is discussed and determined by the Electronic Tax Administration Policy Council. IRS cooperates with 37 states and the District of Columbia to provide Federal/State e-file to taxpayers who file their federal and state taxes at the same time.

**Evidence:** EVIDENCE: Servicewide Filing Season Readiness Action Plan; Submission Processing Filing Season Readiness Action Plan; Filing Season Readiness Packages for each campus; Electronic Tax Administration Advisory Committee Charter.

## PART Performance Measurements

**Program:** Submission Processing (SP)  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Results Not
100%	42%	72%	75%	Demonstrated

**3.6 Does the program use strong financial management practices?** Answer: NO Question Weight:14%

**Explanation:** At the corporate level, IRS's financial statements receive unqualified opinions. However, it has repeat material weaknesses in financial management systems and internal controls, primarily due to inadequate IT systems, which will be replaced by late 2006. At the program level, given current IT resources, IRS processing procedures promote good cash management practices. For example, '90 percent of the remittances that do not require perfection must be deposited by the next business day'. Management conducts an extensive review of deposits which continues until deposits are completely accurate on a regular basis. All 'refund' tax returns must be processed so that the refunds are issued within 45 calendar days of the due date or the filed/processable date (whichever is later) to avoid interest payments.

**Evidence:** EVIDENCE: 11 IRS Manual Sections are devoted to accounting. The integrity of the system is further reinforced by external stakeholder reviews. Internal Revenue Manuals are updated to reflect input and observations made in these reviews. Additional information on Campus Deposit Activity is contained in Internal Revenue Manual 3.8.44.

**3.7 Has the program taken meaningful steps to address its management deficiencies?** Answer: YES Question Weight:14%

**Explanation:** The IRS is implementing the Integrated Financial System, which will provide activity-based costing. The first phase of this project will be implemented this fall. The Strategy and Program Plan is updated annually to ensure Management Challenges are appropriately identified and a plan of action initiated. In the FY 2003/2004 plan, the challenge for Submission Processing was identified as the workload realignment of Individual and Business Master-file returns and the ramp-down of paper processing centers due to the increase of electronically-filed returns.

**Evidence:** EVIDENCE: Business Systems Modernization Spend Plans, Financial Remediation plans. FY 2003-2004 Strategy & Program Plan; Submission Processing Vision Document (draft).

**4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals?** Answer: SMALL EXTENT Question Weight:25%

**Explanation:** The IRS deposits funds received within 24 hours and processes paper "refund" returns within 11 working days (to minimize/eliminate paying interest on the refund amount). ("Full-Paid" paper returns are not time sensitive and are all processed by mid-July.) In the e-filing area, over the past several years, e-file receipts have normally exceeded projections. Most recently, in FY2002, the e-file program exceeded its goal with 46.8 million returns filed. This year taxpayers filings from personal computers grew by 27%. On the business side, over \$1 trillion annually is collected through the Electronic Federal Tax Payment System.

**Evidence:** EVIDENCE: Research Projections; Weekly Filing Season Reports; Commissioner's Monthly Report; Performance Accountability Report.

**4.2 Does the program (including program partners) achieve its annual performance goals?** Answer: YES Question Weight:25%

**Explanation:** IRS meets or exceeds most of its performance goals. Additional measures were baselined in 2002. This allows the sites to increase their focus on measures performance. HQ measures owners actively assist the sites in achieving their goals through Program Reviews, regularly scheduled conference calls, the annual Balanced Measures Conference, review and analysis of case files, and clarifications to the Internal Revenue Manual.

**Evidence:** EVIDENCE: Balanced Measures Reports; Balanced Measures site narratives; Program Review Trip Reports; Management Information System for Top Level Executives Reports; Management Information System Data Warehouse Source Files; Pipeline Status Reports; Work Planning & Control Reports; E-file Service Center Reports.

## PART Performance Measurements

**Program:** Submission Processing (SP)  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Results Not
100%	42%	72%	75%	Demonstrated

**4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?** Answer: YES Question Weight 25%

**Explanation:** Each year the IRS includes savings in its budget due to efficiencies reaped by increased levels of electronic filing. These savings are offset to some degree by increases in the volumes of returns filed. Submission Processing is conducting internal reviews for efficiency through standardization, streamlined policies and procedures, and the elimination of unnecessary processing steps. Currently, there are 10 submissions processing sites. Several of these will stop processing tax returns over the next several years: Brookhaven, NY in 2004; Memphis, TN in 2005; and Philadelphia, PA in 2007.

**Evidence:** The IRS has improved performance in 2003 over the 2002 cumulative rate in six of the eight business measures, including Refund Error Rate, Refund Timeliness, Deposit Timeliness, individual and business Refund Interest Paid, and Productivity. EVIDENCE: Balanced Measures Reports; Management Information System for Top Level Executives Reports; Management Information Systems Data Warehouse Source Files; Pipeline Status Reports; Work Planning & Control Reports; FY 2003-2004 Strategy & Program Plan.

**4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?** Answer: NA Question Weight: 0%

**Explanation:** There are no comparable programs within the government or private sectors that encompass the volume and intricacy of processing federal tax returns. As a result, IRS sets the benchmark for the world in the area of tax returns processing. Frequently, governments from other countries come to the IRS for advice and expertise in setting up and improving their tax returns processing systems.

**Evidence:**

**4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?** Answer: LARGE EXTENT Question Weight 25%

**Explanation:** TIGTA and GAO annual reports indicate the program is effective and achieves overall positive results. However, the GAO noted in its evaluation of the 2002 filing season, that "opportunities exist for IRS to further improve aspects of its performance and some of its performance measures." The IRS uses TIGTA and GAO recommendations to continuously improve operations. Also, the Electronic Tax Administration Advisory Commission reports annually to Congress on: 1. the progress of the IRS in meeting the Restructuring and Reform Act of 1998 goals; 2. the status of the strategic plan to eliminate barriers, provide incentives, and use competitive market forces to increase electronic filing; 3. the legislative changes necessary to assist the IRS in meeting those goals; and 4. the effects on small businesses and the self-employed of electronically filing tax and information returns.

**Evidence:** EVIDENCE: TIGTA/GAO Audit Reports; Electronic Tax Administration Advisory Committee Report to Congress: TIGTA Report 200340073 Pre-Filing Season Activities to Address Specific Individual Electronic Filing Issues Were Adequately Conducted; TIGTA Report 200340055 The Internal Revenue Service Has Procedures to Ensure There is Sufficient Trained Staff to Process Individual Income Tax Returns in 2003; GAO 03-314 IRS's 2002 Tax Filing Season Returns and Refunds Processed Smoothly, Quality of Assistance Improved.

## PART Performance Measurements

**Program:** Submission Processing (SP)  
**Agency:** Department of the Treasury  
**Bureau:** Internal Revenue Service  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Results Not
100%	42%	72%	75%	Demonstrated

**Measure:** IMF Letter Error Rate without Systemic Errors

**Additional Information:** The percentage of incorrect letters issued to taxpayers by Submission Processing employees. Systemic errors (errors attributed to programming or Headquarters personnel) are excluded from rates

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual	(Efficiency Measure)
2002	5.6	7.3		
2003	5.3	6.8		
2004	5.3			
2005	5.1			

**Measure:** IMF Deposit Timeliness (interest dollars (millions) lost due to processing delays)

**Additional Information:** Lost opportunity cost (interest value) of money received by the IRS for individual taxes but not deposited by the next day, per \$1 million of deposits, using a constant 8% interest rate.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual	(Efficiency Measure)
2001	747	748		
2002	751	578		
2003	573	552		
2004	527			
2005	501			

**Measure:** IMF Deposit Error Rate

**Additional Information:** The percentage of errors made by Submission Processing Centers when processing tax remittance checks attached to returns.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual	(Efficiency Measure)
2001	0.049	0.05		

## PART Performance Measurements

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Section Scores				Rating
1	2	3	4	Results Not
100%	42%	72%	75%	Demonstrated

	2002	0.034	0.048
	2003	0.024	0.045
	2004	0.02	
	2005	0.015	

**Measure:** IMF Refund Interest Paid (per \$1M of refunds) Paper and e-file

**Additional Information:** The amount of refund interest paid per \$1 million of refunds issued in the original settlement.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual	(Efficiency Measure)
2001	112	128.63		
2002	94	62.55		
2003	68	47		
2004	66			
2005	65			

**Measure:** IMF Submission Processing Productivity

**Additional Information:** Measure of individual tax work units (a weighted measure of returns processed) per staff year expended

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual	(Efficiency Measure)
2001	28,787	28,537		
2002	29,836	28,389		
2003	29,302	29,772		
2004	29,530			

## PART Performance Measurements

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**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Results Not
100%	42%	72%	75%	Demonstrated

2005                      30,121

**Measure:** IMF Number of Individual Refunds Issued (paper only)

**Additional Information:** The volume of current year Individual 1040 series paper returns filed at all 10 Submission Processing Centers that resulted in a refund.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2001	48,000,000	53,678,663	
2002	58,000,000	53,282,041	
2003	50,600,000	37,409,217	
2004	50,135,300		
2005	46,262,300		

**Measure:** Individual 1040 Series Returns Processed (electronic)

**Additional Information:** The volume of individual series returns e-filed. The goal is for this number to increase as the paper number decreases.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2001	40,000,000	40,221,582	
2002	47,000,000	46,843,782	
2003	52,715,000	52,876,000	
2004	59,893,400		
2005	67,770,300		



## PART Performance Measurements

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Section Scores				Rating
1	2	3	4	Results Not
100%	42%	72%	75%	Demonstrated

**Measure:** Percent of Individual 1040 Series Returns Processed Electronically

**Additional Information:** The percentage of the total individual returns (paper + e-file) e-filed.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2001	31	30.8	
2002	36	35.6	
2003	40	40	
2004	45		
2005	49		

**Measure:** Individual Masterfile (IMF) Refund Timeliness (paper, percent issued in 40 days)

**Additional Information:** Percentage of refunds issued within 40 days or fewer.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual (Efficiency Measure)
2001	96.1	95.2	
2002	98.4	98.2	
2003	98.4	98.9	
2004	98.4		
2005	98.4		

## PART Performance Measurements

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Section Scores				Rating
1	2	3	4	Results Not
100%	42%	72%	75%	Demonstrated

**Measure:** IMF Notice Error Rate with Systemic Errors  
**Additional Information:** The percentage of incorrect Masterfile notices issued to taxpayers.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual	(Efficiency Measure)
2001	8.1	14.8		
2002	0	18.7		
2003	13.2	13		
2004	12			
2005	11			

**Measure:** IMF Notice Error Rate without Systemic Errors  
**Additional Information:** The percentage of incorrect Submission Processing Masterfile notices issued to taxpayers. Includes only the percentage of errors made as a direct result of an employee's action.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual	(Efficiency Measure)
2002	5.3	5.1		
2003	4.3	4.8		
2004	3.3			
2005	3			

**Measure:** IMF Refund Error Rate with Systemic Errors  
**Additional Information:** The percentage of errors made as a direct result of an employee's action and/or the result of an automation/computer generated process.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual	(Efficiency Measure)
2001	13.6	11.9		

## PART Performance Measurements

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Section Scores				Rating
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100%	42%	72%	75%	Demonstrated

	2002	9.3	8
	2003	7.6	5.7
	2004	6.8	
	2005	6.5	

**Measure:** IMF Refund Error Rate without Systemic Errors  
**Additional Information:** The percentage of errors made by a direct result of an employee's action.

	<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual	
	2002	2	1.4		(Efficiency Measure)
	2003	1.9	1.3		
	2004	1.3			
	2005	1.2			

**Measure:** IMF Letter Error Rate with Systemic Errors  
**Additional Information:** The percentage of incorrect letters issued to taxpayers by Submission Processing employees.

	<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual	
	2001	11.9	13.1		(Efficiency Measure)
	2002	10.9	7.4		
	2003	6.2	7.8		
	2004	6.2			
	2005	6			

## PART Performance Measurements

**Program:** Treasury Technical Assistance  
**Agency:** Department of the Treasury  
**Bureau:**  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	75%	86%	40%	

**1.1 Is the program purpose clear?**

Answer: YES

Question Weight 20%

**Explanation:** Treasury's Office of Technical Assistance (OTA) has a clear program purpose, as expressed in its mission statement: The mission of OTA is to promote economic reforms that lead to development and good governance in countries of strategic importance to the United States. OTA Budget, Tax, Debt and Financial Institution advisors assist developing and post-conflict countries in developing economic policies appropriate for democracies and seeks to strengthen the framework for carrying out such policies. OTA's Enforcement activities are directed towards reducing the financial crimes of corruption, money laundering, and the financing of terrorism in order that the benefits of economic reform flow to a country's general population.

**Evidence:** The Mission Statement has been extensively documented in reports to Congress, Performance Plans and its website ([www.ustreasury.hu/other/mission](http://www.ustreasury.hu/other/mission)).

**1.2 Does the program address a specific and existing problem, interest or need?**

Answer: YES

Question Weight 20%

**Explanation:** Economic development and the promotion of good governance in transitioning, developing and post-conflict societies are two the USG's key foreign policy objectives. Some of the major constraints to economic development and good governance are a lack of transparent budget policies, weak tax regimes, weak financial institutions, and a lack of legal regulations that minimize corruption, money laundering and terrorist finance. OTA programs are designed to directly address these problems while promoting USG interests.

**Evidence:** Authorizing legislation, Appropriations legislation and Annual Performance Plans

**1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?**

Answer: YES

Question Weight 20%

**Explanation:** While there are numerous providers of technical assistance (OTA, USAID, International Financial Institutions (IFIs) and other countries' technical assistance arms), OTA is not duplicative of these other efforts because it capitalizes on the expertise of the US Treasury Department by focusing on areas in which the USG and Treasury have a specialized expertise and strategic interest in implementing policies that accord with USG policies. OTA programs function as direct Ministry to Ministry exchanges and projects benefit from substantial dialogue with Treasury Policymakers, and from Treasury relationships with counterpart Ministries of Finance. OTA projects are designed to support IFI-sponsored reform in countries where both operate. OTA is able to operate in countries without a USAID mission; however, in countries where both are active, there is some overlap with USAID and quite often the two agencies compete with each other for funds, projects and advisors.

**Evidence:** Conversations with OTA, World Bank and USAID staff; anecdotal evidence of OTA results in various countries. Conversations provide anecdotal evidence that host countries and Treasury staff value OTA's unique ability to draw upon the offices and expertise of the US Treasury and its representatives in the field.

## PART Performance Measurements

**Program:** Treasury Technical Assistance  
**Agency:** Department of the Treasury  
**Bureau:**  
**Type(s):** Direct Federal

Section Scores				Rating
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100%	75%	86%	40%	

**1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency?**      Answer: YES      Question Weight 20%

**Explanation:** OTA programs benefit from a strong functional orientation that contributes to the program's efficiency. OTA carries out its projects through five assistance "teams" organized as follows: (1) Budget Administration and Policy; (2) Government Debt Issuance and Management; (3) Financial Institutions Policy and Regulation; (4) Financial Crimes Law Enforcement; and (5) Tax Policy and Administration. This organization increases OTA's ability to design effective assistance programs to help developing countries implement reforms that address problems identified in Q.1.2 and recruit necessary expertise. In addition, while it might be cheaper to use USAID advisors in countries in which USAID is present, OTA's unique placement within the US Treasury allows it to capitalize upon this economic and financial expertise to more efficiently design advisor programs.

**Evidence:** Conversations with OTA, Treasury department officials and USAID; first-hand observations by examiner.

**1.5 Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?**      Answer: YES      Question Weight 20%

**Explanation:** OTA projects are designed to impact the budget, tax, financial institutions, and government debt operations in counterpart countries, and OTA works only in countries which have demonstrated a desire to implement necessary reforms. OTA signs Terms of Reference (TORs) with host governments that outline broad benchmarks and goals. However, these TORs do not outline the duties of the host governments. OTA is in the process of implementing a new Project Management Tracking System (PMTS), which through the establishment of long-term and annual performance measures and annual project reviews to measure performance will help to more effectively target resources.

**Evidence:** OTA Terms of Reference; Implementation Plan for new Project Management Tracking System (PMTS); plans for PMTS Annual Reviews

**2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?**      Answer: YES      Question Weight 12%

**Explanation:** During the FY 2004 budget preparation process, OMB and OTA agreed to work on implementing new long-term performance measures to guide program management and budgeting and which promote results and accountability. In response to this recommendation for FY 2005, OTA has developed a new Project Management Tracking System (PTMS), which will require that all OTA teams establish annual and long-term performance measures that contribute towards OTA's new overall long-term measures. Goals/Measures: (1) OTA projects aimed at building stable, high-functioning financial systems in host countries; (2) conducting anti-terrorist/corruption interventions in identified countries; and (3) Rebuilding economic institutions in post-conflict societies. The performance for Goal 1 will be measured by: Increase in GDP (over a 3-year trend); Improvement in the GDP/Trade ratio; and Increase in per capita income. The performance for Goal 2 will be measured by: Anti-corruption laws passed and implemented; and number of cases successfully prosecuted. Performance measures for goal 3 are still under development.

**Evidence:** OTA's Project Management Tracking System proposal and implementation plan; The new PMTS requires all OTA teams to establish long-term goals for Financial Performance Areas (FPAs) associated with the mission of that team. The long-term goals will be supported by long-term and annual objectives that will be tracked throughout the year. PMTS results will be reviewed at mid-year, and at the end of each year to ensure progress on OTA long-term measures. The PMTS will establish country-specific goals and measures during an Initial Assessment, and these goals and measures will be identified in the TOR. At the end of each annual cycle, decisions will be made to continue efforts, to re-structure efforts, or to end OTA efforts. Participation in efforts directed at anti-terrorist/corruption activities in in large part determined by an interagency process not always under the control of OTA

## PART Performance Measurements

**Program:** Treasury Technical Assistance  
**Agency:** Department of the Treasury  
**Bureau:**  
**Type(s):** Direct Federal

Section Scores				Rating
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100%	75%	86%	40%	

**2.2 Does the program have ambitious targets and timeframes for its long-term measures?** Answer: YES Question Weight:12%

**Explanation:** OTA's target for achievement of Goal 1 are: an increase in GDP over a three year trend; an increase in percent of trade as a share of GDP over a three year period; and a three year trend of growth in per capita income in host countries. Individual increases in these measures will be set by country and tracked by PMTS. Overall program progress will be tracked by and established by an average of countries with OTA projects (see measures tab). The time spent in assistance of a host country is targeted at 3-5 years. Targets and timeframes for Goals 2 and 3 are under development.

**Evidence:** OTA's Project Management Tracking System proposal and implementation plan; plan for target/timeframe development.

**2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?** Answer: YES Question Weight:12%

**Explanation:** In 2.1 above it is noted that OTA is establishing a Project Management Tracking System for use in evaluating project results and to support overall OTA program goals. Each team project will use Financial Performance Areas (FPAs) to identify which results will be measured. Annual, measurable performance measures will be established (two or three) for each FPA identified, and progress toward those measures will be evaluated annually through PMTS on a mid-year and end-of-year basis. New performance measures will be established on an annual basis for each FPA where a continuing need for progress exists. Where objectives have been met for an FPA, a decision to re-structure the project or to conclude the project will be made consistent with achievement of overall OTA program goals. OTA has already established several annual measures for its Budget team, which will pilot the PMTS.

**Evidence:** OTA's Project Management Tracking System proposal and implementation plan. Annual measures will be adopted for each team and which support the team's long term measures and OTA's long-term measures.

**2.4 Does the program have baselines and ambitious targets for its annual measures?** Answer: YES Question Weight:12%

**Explanation:** The baseline and target for each OTA annual goal will be established for each specific country and each team. Baselines and targets will be established for each annual measure and monitored annually. OTA currently has established targets and baselines for the budget team. These are under development still for the other teams.

**Evidence:** OTA's Project Management Tracking System proposal and implementation plan.

## PART Performance Measurements

**Program:** Treasury Technical Assistance  
**Agency:** Department of the Treasury  
**Bureau:**  
**Type(s):** Direct Federal

Section Scores				Rating
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100%	75%	86%	40%	

**2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?** Answer: YES Question Weight:12%

**Explanation:** OTA projects require coordination among a number of partners or stakeholders. Most projects are initiated in one of three ways: (1) request from a host country government, (2) request from Treasury policy staff, or (3) request from the State Department. Treasury TA engages only where there is a written agreement on mutual goals and objectives. OTA requires that countries receiving assistance and advisors providing assistance sign a TOR before OTA will provide assistance. The TOR lays out broad goals and stipulates that advisors will develop a work plan and report to OTA on progress towards completing the work plan and achieving the goals identified in the TOR. TORs, however, currently do not identify specific performance measures. As part of its PMTS, OTA plans to include performance measures in its future TORs. Assistance after 1 year will be subject to satisfactory review of TORs.

**Evidence:** Example TORs; 1999 GAO Report; OTA's Project Management Tracking System proposal and implementation plan.

**2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?** Answer: NO Question Weight:12%

**Explanation:** At various times, OTA programs have been reviewed by the State Department IG (1994), the Treasury IG (1996) and the GAO (1999). However, no report has focused on the effectiveness of the program or on how well OTA is meeting its mission and/or long-term goals. While OTA projects are subject to review by the US Embassy and the USAID mission in the host country, which suggest changes in the scope of OTA's in-country work, these reviews are not independent.

**Evidence:** State IG, Treasury IG, and GAO reports.

**2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?** Answer: NO Question Weight:12%

**Explanation:** OTA produces a yearly budget plan once they receive their appropriation from Congress. However, it is not clear that this plan is formed by laying out quantifiable, measurable program objectives, the link between the objectives and OTA's annual and long-term goals, and how funding is to be used to achieve these objectives and goals. Furthermore, OTA does not establish links between its budget plan and its GPR Annual Performance Plans. Without such linkage, it is difficult to analyze the impact of funding, policy, and legislative changes. Finally, annual budget requests are not derived by estimating what is needed to accomplish the annual performance goals. It should be noted that once implemented, the new PMTS will provide strong additional specificity to evaluation of progress toward long and short-term goals.

**Evidence:** Annual Performance Plans; Annual Budget Plans; Assessment missions, trip reports, and monthly reviews constitute the basis for evaluation.

## PART Performance Measurements

**Program:** Treasury Technical Assistance  
**Agency:** Department of the Treasury  
**Bureau:**  
**Type(s):** Direct Federal

Section Scores				Rating
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100%	75%	86%	40%	

**2.8**      **Has the program taken meaningful steps to correct its strategic planning deficiencies?**      Answer: YES      Question Weight:12%

**Explanation:** OTA continues to make progress in improving its strategic planning. In response to last year's PART recommendations, OTA is establishing a system for tracking project performance. Under PMTS each counterpart country will be evaluated according to a number of relevant Financial Performance Areas (FPAs). In addition, each project will establish annual objectives that contribute to a team's newly-established annual and long-term goals and measures. Each team's measures will contribute to OTA's overall long-term performance measures. In addition, OTA has implemented a formalized budget process in relation to the expenditure of funds appropriated by Congress (TIATA). This includes presentation of detailed budgets and project objectives. Budget submissions compete against one another for scarce TIATA funding. OTA worked with an outside software developer to create a financial database, the Budget and Financial Management Information System (BEMIS), which is used to track budgetary allocations for projects and the related obligation and expenditure of funds.

**Evidence:** OTA's Project Management Tracking System proposal and implementation plan. OTAs new PMTS will be piloted during FY 2004 by its Budget Team. After that, the system will be applied OTA-wide to all teams. Baseline data for Budget Team projects will be developed in FY 2003. Budget process documents.

**3.1**      **Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?**      Answer: YES      Question Weight:14%

**Explanation:** OTA Partners include host countries and advisors. Historically, each OTA advisor filed a regular monthly report on project activities, including progress reaching goals established in the Terms of Reference (TOR) and significant obstacles to progress. The Monthly Reports were reviewed by the AD responsible for that functional activity. However, OTA plans to eliminate the Monthly Reports and replace them with the PMTS, which will be more useful as a performance measurement tool. Senior Advisors and Regional Advisors will still be required to file trip reports; however, they also will be expected to update the PMTS for the project that they visit. Team leadership, either the AD or Senior Advisor, will make at least an annual visit to each project in order to evaluate its effectiveness and gauge counterpart support. Per question 2.1, the annual PMTS review and trip reports will be used to judge project success. Where modifications and/or restatement of project goals are necessary, these will be done in the context of the annual review contained in the PMTS.

**Evidence:** OTA's Project Management Tracking System proposal and implementation plan; monthly reports (which will be replaced by PMTS); trip reports; work plans.



## PART Performance Measurements

**Program:** Treasury Technical Assistance  
**Agency:** Department of the Treasury  
**Bureau:**  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	75%	86%	40%	

**3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?**      Answer: YES      Question Weight:14%

**Explanation:** Each functional team within OTA is managed by an Associate Director (AD). Each OTA project has an individual budget that has been agreed between the AD and the Director of OTA. Using the Budget and Financial Information System (BFMIS), AD's can monitor the cost of each of his/her projects, and ADs are responsible for managing their projects within the agreed budget. In almost every case, ADs (or Senior Advisors) negotiate the scope of a project, which is summarized in the written Terms of Reference (TOR). A schedule for project implementation is also agreed at the time of project inception. Advisors are held accountable for individual program performance, based on guidelines agreed to in PSC contracts and TORs. If host country counterparts do not maintain their support for a project, it is frequently restructured or terminated; however, current TORs do not specify duties of the host government and the consequences of failing to meet these requirements. The new PMTS will make advisors and host governments even more accountable for program performance by tracking measures and including consequences of not meeting those measures.

**Evidence:** OTA's Project Management Tracking System proposal and implementation plan; TORs, performance evaluations, project budgets, project implementation guidelines.

**3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?**      Answer: YES      Question Weight:14%

**Explanation:** OTA obligates funds 12-18 months after they are made available and has made efforts to not carry over large unobligated balances into the next fiscal year. Some carryover, however, is unavoidable due to two constraints: (1) OTA receives large fund transfers (SEED, FSA) 9-12 months into the fiscal year; and (2) OTA is only able to obligate funding at the beginning or annual renewal of a project. OTA has made significant progress in dealing with a third constraint (a disconnect between when it obligates funds and when Treasury's financial management system records these obligations) by communicating better with Treasury DO and by implementing a new financial management system (BFMIS). In terms of expenditures, OTA carefully segregates funds so they are spent on the intended activity. OTA's financial management system currently is unable to track expenditures according to obligations.

**Evidence:** SF 133s. Conversations between OMB, OTA and DO financial management personnel. Documents that evidence OTA is working to de-obligate previously obligated but unexpended funds (FY 2003 deobligations equal \$1.78 million).

## PART Performance Measurements

**Program:** Treasury Technical Assistance  
**Agency:** Department of the Treasury  
**Bureau:**  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	75%	86%	40%	

**3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?** Answer: NO Question Weight:14%

**Explanation:** OTA needs to develop an efficiency measure (per unit cost of outputs) to compare relative costs. OTA sources its advisors according to "best value for dollar cost" principles. OTA competitively sources its advisors, but education, and relevant experience are the key selection criteria, not advisor compensation nor the cost of supporting an advisor, and his/her family, overseas. OTA does have two options for sourcing logistical support services for its advisors overseas - the State Department ICASS system and Metrica, Inc., a private sector contracting firm. Wherever possible, OTA makes detailed comparisons of the relative cost of providing advisor support and chooses the low cost alternative. Working with the Procurement Services Division (PSD), OTA converted all Personal Services Contracts (PSCs) from annual agreements to 5-year option contracts. This has lowered the administrative costs associated with contract renewals. In FY 2004, OMB and OTA will work on evaluating the 15% flat program administration fee to see if this is appropriate and keeps administrative costs down.

**Evidence:** Examiner conversation with OTA; OTA Cost Containment Report; OTA Comparative Cost Analysis (between ICASS and Metrica). OTA has done an extensive review of total advisor costs, and several policies were changed to reduce spending. One outcome of this is that OTA no longer ships Advisor personally owned vehicles (POVs) overseas.

**3.5 Does the program collaborate and coordinate effectively with related programs?** Answer: YES Question Weight:14%

**Explanation:** There are numerous providers of technical assistance, and OTA endeavors to design its program in concert with the resources that others are prepared to make available to a given country. Where appropriate, OTA coordinates with USAID. The technical assistance arms of other bi-lateral and multi-lateral donors may also be active in any given country. Where possible, OTA works to coordinate its assistance programs with these donors, including DIFID (UK) GTZ (Germany), PHARE (EU), SIGMA (EU/OECD), and others. In addition, projects are frequently designed to function in the context of IFI-sponsored reform programs, and project objectives are often related to the "Conditionality" provisions of IFI loans. It bears noting, however, that that there is often overlap and competition between OTA and other technical assistance providers, including USAID.

**Evidence:** TORs: sections that state OTA and host government will coordinate with USAID and other technical assistance providers in country. Technical Assistance Reports: detail cooperation in country.

**3.6 Does the program use strong financial management practices?** Answer: YES Question Weight:14%

**Explanation:** OTA is subject to annual financial audits as part of main Treasury's audits by KPMG. These audits yield positive results and because Treasury Departmental Offices Financial Management Division (FMD) holds OTA funds, this ensures that adequate internal controls are exercised. In addition, OTA has taken a number internal measures to improve its practices. OTA has developed BFMIS and implemented the Travel Manager Plus system to provide internal financial controls. 100% of travel vouchers are subject to in-house audits. In addition, all other spending vouchers are fully audited.

**Evidence:** Conversations with OTA financial management officer and OTA management; example travel vouchers and contract reconciliation; Treasury Audit Report.

## PART Performance Measurements

**Program:** Treasury Technical Assistance  
**Agency:** Department of the Treasury  
**Bureau:**  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	75%	86%	40%	

**3.7 Has the program taken meaningful steps to address its management deficiencies?** Answer: YES Question Weight: 14%

**Explanation:** OTA has taken strong measures to improve its management practices. The Budget and Financial Management System (BFMIS) was implemented to better control project budgets, obligations, and expenditures. Travel Manager Plus (TMP) was implemented to speed the processing of the 2,000+ travel vouchers that move through OTA. Payroll processing has been improved, although there still needs to be better links between OTA's BFMIS system and the DoA payroll system. An increasing Program Management budget has allowed OTA to add dedicated staff to its personnel, payroll, and logistical support functions allowing increasing specialization and improving efficiency. The new project performance measuring system (PMTS) will provide Program Management Staff with improved tools to evaluate project effectiveness.

**Evidence:** OTA's Project Management Tracking System proposal and implementation plan; Conversations with OTA staff; New Advisor Handbook.

**4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals?** Answer: SMALL EXTENT Question Weight: 20%

**Explanation:** During the FY 2004 budget preparation process, OMB and OTA agreed to work on implementing new long-term performance measures to guide program management and budgeting and which promote results and accountability. At the time, while OTA had a limited number of long-term goals, these were not measurable and did not identify targets towards which to manage OTA resources or a timeframe for completion. For FY 2005, OTA has developed a new Project Management Tracking System (PTMS), which will require that all OTA teams establish long-term and annual performance measures associated with each team's mission and that support OTA's overall performance measures. The PTMS will be piloted first in the Budget Team's project in Azerbaijan. However, since these measures are new, it is not possible to yet measure progress along those goals.

**Evidence:** OTA's Project Management Tracking System proposal and implementation plan; The new PMTS requires all OTA teams to establish long-term goals for Financial Performance Areas (FPAs) associated with the mission of that team. The long-term goals will be supported by long-term and annual objectives that will be tracked throughout the year. PMTS results will be reviewed at mid-year, and at the end of each year to ensure progress on OTA long-term and annual measures. The PMTS will establish country-specific goals and measures during an Initial Assessment, and these goals and measures (as well as consequences of not meeting these) will be identified in the TOR. At the end of each annual cycle decisions will be made to continue efforts, to re-structure efforts, or to end OTA efforts (where goals have been reached, or where evaluation determines that projects are no longer feasible).

**4.2 Does the program (including program partners) achieve its annual performance goals?** Answer: SMALL EXTENT Question Weight: 20%

**Explanation:** Because annual measures do not exist for OTA, so it not possible for partners to achieve such goals. However, as noted in Q.2.1 above, OTA is establishing a Project Management Tracking System for use in implementing long-term and annual performance measures and evaluating project results. Each team project in each country (whether it is established on a resident or intermittent basis) will use Financial Performance Areas (FPAs) to identify those specific areas in which measures will be established and results monitored. Annual, measurable objectives will be established (two or three) for each FPA identified, and progress toward those objectives will be evaluated on a mid-year, and end-of-year basis at a minimum. These annual measures will help OTA measure whether it is meeting OTA's overall long-terms goals.

**Evidence:** Despite the absence of annual measures, there is evidence that OTA meets its goals. In FY 2003, OTA initiated and concluded 25 resident and intermittent projects; engaged in 31 anti-terrorism/corruption projects; and deployed 20 advisors who accompanied coalition forces into Iraq.

## PART Performance Measurements

**Program:** Treasury Technical Assistance  
**Agency:** Department of the Treasury  
**Bureau:**  
**Type(s):** Direct Federal

Section Scores				Rating
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100%	75%	86%	40%	

**4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?**      Answer: SMALL EXTENT      Question Weight 20%

**Explanation:** Over the last 6 years, OTA has grown from an organization that conducted 45 country projects to one that conducted 137 projects in FY03. To support this growth, OTA added administrative personnel, and it adopted or developed financial systems (i.e. TMP+, BFMIS) to manage the increasingly diversified sources of funding. All of this has been financed by the consistent 15% OTA charges on the appropriations and transfers that it receives. While OTA has not been able to cut the cost of its advisory projects, it has been able to keep costs relatively constant in a period when the cost of inputs has risen. OTA has absorbed the capital cost of adopting and developing the financial systems necessary to support this program expansion. One major constraint OTA faces to cutting costs is that it is responsible for its own admin expenses, as opposed to having main Treasury fund some or all of these.

**Evidence:** Over the last 6 years, OTA has charged the same Program Management fee for projects. The is 15% of the gross amount of funds appropriated and transferred. In addition, over the last 6 years, the one year cost of a resident advisor in the CEE has remained constant at \$475,000, and the cost of a resident advisor in the FSU has remained \$500,000 per year. OTA has offset increasing project costs with efficiencies. For instance, the Budget Team developed a skills bank for resident advisors and has used residents for activities in other countries formerly done by intermittents. In three of its recurring training activities, distance learning delivery has been developed to reach more participants in more countries. OTA has also been able to invest in financial systems that allow it to process an increasing number of TA activities. OTA and OMB will work to reevaluate the 15% administration fee to see if efficiencies can be achieved as OTA's appropriation increases.

**4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?**      Answer: YES      Question Weight 20%

**Explanation:** OTA programs are implemented based on decisions of others to fund, or co-fund, OTA projects. These decisions are made by a number of different, independent parties, including the State Department Office of the Coordinator, State/INL, US Embassies, and individual USAID missions. Each of these entities has other options to achieve its assistance goals, including use of accounting firms, consultants, and NGOs. Their continued support confirms that OTA's costs and project performance compares favorably with other assistance providers.

**Evidence:** Reports by the GAO, State IG, and Treasury IG all indicate that OTA's costs are comparable to other assistance providers. Moreover, as OTA receives its funding from other organizations (i.e. USAID Missions, the State Department Coordinator's Office, and State/INL), OTA competes with other organizations to receive funding. This "market" mechanism ensures that OTA costs remain in line and competitive with other TA providers. PMTS will provide a more precise measure of OTA results relative to baselines to compare with the performance of other program sources that have developed similar data.

**4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?**      Answer: NO      Question Weight 20%

**Explanation:** No effectiveness evaluations have been conducted of OTA. The last report on this program was done by the GAO in 1999 and identified a number of problems faced by OTA in its operations. There has been no follow-up report by the GAO, but the program has taken steps to address the problems noted in the report. Please note that due to the small size of OTA and the prohibitive cost of evaluations, OTA does not commission independent evaluations of its projects.

**Evidence:** GAO Report; conversations with OTA.

## PART Performance Measurements

**Program:** Treasury Technical Assistance  
**Agency:** Department of the Treasury  
**Bureau:**  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	75%	86%	40%	

**Measure:** Increase in GDP average of 15 representative countries in which OTA operates. Since OTA's long-term goal is to increase GDP, this measures OTA's impact in this area. The target number represents a percentage increase over the baseline.

**Additional Information:** This measure is an average of 15 representative countries in which OTA operates and covers a 3-year period.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2001	Baseline GDP	\$19.3 B	
2007	>2%		

**Measure:** Increase in Trade/GDP ratio. Since OTA's long-term goal is to increase trade as a percent of GDP, this measures OTA's impact in this area. The target number represents a percentage increase over the baseline.

**Additional Information:** This measure is an average of 15 representative countries in which OTA works and covers a 3-year period.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2001	Baseline ratio	56.59%	
2007	>2%		

**Measure:** Increase in annual per capita income

**Additional Information:** This measure is an average of 15 representative countries in which OTA works and covers a 3-year period.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2001	Baseline income	870	
2007	>1%		

**Measure:** Stabilization of Debt/GDP ratio

**Additional Information:** This measure is an average of 15 representative countries in which OTA operates and covers a 3-year period.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2003	Baseline ratio	56.59%	

## PART Performance Measurements

**Program:** Treasury Technical Assistance  
**Agency:** Department of the Treasury  
**Bureau:**  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Adequate
100%	75%	86%	40%	

2007                      <+/-2%

**Measure:** Increase in total number of countries that publish Annual Budget in Brief (Citizen's Guide) each year. Publishing this document is a sign of a transparent budget process, which is one of OTA's short-term goals.

**Additional Information:** This is a measure for the Budget team - Budget transparency processes - for country projects

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2003		3	
2004	4		
2005	5		
2006	6		

**Measure:** Increase in number of countries that draft and issue budget instructions

**Additional Information:** This is a measure for Budget Team - Budget formulation processes - for country projects

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual

**Measure:** Measure Under Development

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b>

## PART Performance Measurements

**Program:** Tropical Forest Conservation Act  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Credit

Section Scores				Rating
1	2	3	4	Results Not
100%	75%	100%	20%	Demonstrated

**1.1 Is the program purpose clear?**

Answer: YES

Question Weight 20%

**Explanation:** The program's purpose is defined by the Tropical Forest Conservation Act (TFCA) of 1998. The TFCA states that the purposes of the program are: (1) to recognize the values received by United States citizens from protection of tropical forests; (2) to facilitate greater protection of tropical forests (and to give priority to protecting tropical forests with the highest levels of biodiversity and under the most severe threat) by providing for the alleviation of debt in countries where tropical forests are located, thus allowing the use of additional resources to protect these critical resources and reduce economic pressures that have led to deforestation; (3) to ensure that resources freed from debt in such countries are targeted to protection of tropical forests and their associated values; and (4) to rechannel existing resources to facilitate the protection of tropical forests.

**Evidence:** Tropical Forest Conservation Act, as amended.

**1.2 Does the program address a specific and existing problem, interest or need?**

Answer: YES

Question Weight 20%

**Explanation:** The program addresses a specific interest: the protection of tropical forests in low and middle income countries that might not have significant resources to devote to forest protection.

**Evidence:** Tropical Forest Conservation Act, as amended.

**1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?**

Answer: YES

Question Weight 20%

**Explanation:** The participation of USG, local government, and donor and local NGOs on local TFCA program boards or oversight committees that together decide the strategy and funding priorities of the local TFCA program over a period of years fosters an extraordinary level of long-term cooperation on conservation efforts that is probably unique among U.S. government environmental programs. In addition, the TFCA program is one of the few sources of reliable long-term funding for forest conservation activities. The funds directed toward conservation under TFCA are generally paid in over a period of 10 to 20 years. There are USG grant programs (most funded by USAID) that may target tropical forests; however, these programs are often shorter term in nature. In addition, the TFCA program is a source of endowment funding, thus providing even longer-term sustainable financing for conservation. Many, though not all, TFCA programs provide for endowment funding.

**Evidence:** Information on USAID and other USG funded programs is contained in the Section 118 Report. In addition, NGO views of USG environment programs is included in a report produced by The Nature Conservancy, Conservation International, World Wildlife Fund, Wildlife Conservation Society, and World Resources Institute on the USG biodiversity budget. Agency conversations with various TFCA participants have revealed the provision of long-term funding to be one of the most distinctive features of the TFCA program.

## PART Performance Measurements

**Program:** Tropical Forest Conservation Act  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Credit

Section Scores				Rating
1	2	3	4	Results Not
100%	75%	100%	20%	Demonstrated

**1.4**      **Is the program design free of major flaws that would limit the program's effectiveness or efficiency?**      Answer: YES      Question Weight 20%

**Explanation:** Agencies are unaware of any major flaws that limit the program's effectiveness or efficiency. The Administration requested and received two changes during the recent TFCA reauthorization process to improve the efficacy of the program: the ability to treat principal as well as interest under all program options, which may increase "leverage" by increasing the number of payment streams that Treasury may select from in negotiating debt reduction agreements, and which may open up the possibility of debt reduction agreements in countries with little interest owed to the United States government; and authorization to use a portion of TFCA appropriations to fund independent audits in the future, to bolster program follow-up and evaluation.

**Evidence:** The changes are contained in PL 108-323.

**1.5**      **Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?**      Answer: YES      Question Weight 20%

**Explanation:** The beneficiaries are specified in the TFCA legislation. TFCA country political and economic eligibility standards are stringent, and therefore help to ensure that the environment for resulting programs is supportive of effective conservation efforts. Potential grant beneficiaries, consistent with the Tropical Forest Conservation Act, are specified in individual TFCA agreements.

**Evidence:** The beneficiaries specified in the Tropical Forest Conservation Act are: "nongovernmental environmental, forestry, conservation, and indigenous peoples organizations of, or active in, the beneficiary country; the appropriate local or regional entities of, or active in, the beneficiary country; or in exceptional circumstances, the government of the beneficiary country." TFCA agreements provide for grants to beneficiaries consistent with those specified in the legislation (example provided). TFCA eligibility requirements contained in Tropical Forest Conservation Act.

**2.1**      **Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?**      Answer: YES      Question Weight 13%

**Explanation:** Each local TFCA program is unique, and the boards or oversight committees of local TFCA programs have much responsibility for determining the priorities of each program. Measures of success may therefore differ across funds. However, interagency staff have developed an Evaluation Sheet that measures, among other things, the success of boards and oversight committees in developing a strategic plan that specifies key objectives, conservation and funding priorities, and target dates in meeting those objectives, and that also contains key TFCA entity efficiency measures. The evaluation of board/oversight committee effectiveness in monitoring long-term performance has been determined to be the best way of measuring long-term outcomes, given the unique nature of the program. Long-term performance of the program as a whole will be measured in part by tracking aggregate scores on the Evaluation Sheet, as well as by monitoring success in getting Evaluation Sheets completed for existing and new agreements.

**Evidence:** Performance measures are contained in the TFCA Evaluation Sheet



## PART Performance Measurements

**Program:** Tropical Forest Conservation Act  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Credit

Section Scores				Rating
1	2	3	4	Results Not
100%	75%	100%	20%	Demonstrated

**2.2 Does the program have ambitious targets and timeframes for its long-term measures?** Answer: YES Question Weight: 13%

**Explanation:** The TFCA Evaluation Sheet evaluates each local TFCA program on the development of a strategic plan containing specific key objectives, conservation and funding priorities in meeting those objectives, and target dates for completion. Some local TFCA programs already have strategic plans under development, and existing local TFCA programs will be encouraged to complete a plan that includes ambitious targets and timeframes. Ambitious targets have been set for getting evaluation sheets completed for existing TFCA programs.

**Evidence:** Targets and Timeframes are contained in the TFCA Evaluation Sheet and in the Measures section of this PART. For example, there are measures and targets for local TFCA programs with respect to submission of evaluation information and achievement of acceptable ratings.

**2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?** Answer: YES Question Weight: 13%

**Explanation:** The TFCA Evaluation Sheet evaluates each local TFCA program on the development of a strategic plan containing specific key objectives, conservation and funding priorities in meeting those objectives, and target dates for completion. In addition, the Evaluation Sheet evaluates each local TFCA program with respect to an annual assessment of progress toward the goals of the strategic plan.

**Evidence:** Targets and Timeframes are contained in the TFCA Evaluation Sheet and in the Measures section of this PART. These measurements include an annual review of the long-term strategic plan of local TFCA programs.

**2.4 Does the program have baselines and ambitious targets for its annual measures?** Answer: YES Question Weight: 13%

**Explanation:** Each local TFCA program is unique and will have its own strategic plan and priorities. The TFCA Evaluation Sheet will allow an annual review of each TFCA program's comprehensive strategic plan and success in meeting stated targets. We have set a baseline and have developed ambitious targets for the completion of evaluation sheets.

**Evidence:** Targets and Timeframes are contained in the TFCA Evaluation Sheet and in the Measures section of this PART. The Measures section establishes a very ambitious target of 100% of TFCA programs operational for at least two years conducting an annual review of progress under its strategic plan by 2007.

**2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?** Answer: YES Question Weight: 13%

**Explanation:** The TFCA program is coordinated through an interagency process. All major USG stakeholder agencies work together to choose program recipients and to construct programs, and members of the Enterprise for the Americas Board (EAB) are provided an opportunity to review TFCA agreements. The use of funds generated through debt reduction is detailed in a Forest Conservation Agreement or Tropical Forest Agreement, ensuring ex ante agreement on the permitted uses of funds and the general administration of the program. In addition, each local TFCA program has an oversight committee or board that consists of a representative of the USG, a representative of the beneficiary government, a representative of any NGO donors (if applicable), with a majority of civil society environmental representatives. The program is therefore designed to ensure that all partners work together in implementing the program.

**Evidence:** Copy of sample Forest Conservation Agreement and Tropical Forest Agreements.

## dPART Performance Measurements

**Program:** Tropical Forest Conservation Act  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Credit

Section Scores				Rating
1	2	3	4	Results Not
100%	75%	100%	20%	Demonstrated

**2.6**      **Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?**      Answer: NO      Question Weight:13%

Explanation: Local TFCA programs resulting from TFCA agreements have been up and running for three years at most. Therefore, most are not yet ready for a program audit (financial audits are done yearly). However, the Administration requested and received authorizing language that would allow for independent evaluations of TFCA programs to be paid for out of TFCA annual appropriations in the future.

Evidence:

**2.7**      **Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?**      Answer: NO      Question Weight:13%

Explanation: Most local TFCA programs have been operational for only a short time, and the TFCA Evaluation Sheet was developed recently. As the program matures and Evaluation Sheets are implemented, it is expected that the link between budget requests and program performance will become more explicit.

Evidence:

**2.8**      **Has the program taken meaningful steps to correct its strategic planning deficiencies?**      Answer: YES      Question Weight:13%

Explanation: The TFCA Evaluation Sheet was developed to provide for consistent, on-going evaluation and reporting across local TFCA programs.

Evidence: TFCA Evaluation Sheet

**3.1**      **Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?**      Answer: YES      Question Weight:14%

Explanation: Local TFCA program entities are required to undergo regular financial audits, as well as provide statistics such as the number of grants awarded and the amount of grant funds disbursed. Reporting will become more detailed as a result of the TFCA Evaluation Sheet that has recently been developed. Implementing agencies use this data and their experience in negotiation of past agreements in the development of new ones. In addition, implementing agencies receive input on program development from environmental NGOs. Environmental NGOs are active participants in and have contributed financially to the creation of several TFCA programs.

Evidence: Example of financial audit. Example of reported statistics: Report to Congress, 2004. TFCA Evaluation Sheet.

## PART Performance Measurements

**Program:** Tropical Forest Conservation Act  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Credit

Section Scores				Rating
1	2	3	4	Results Not
100%	75%	100%	20%	Demonstrated

**3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?** Answer: NA Question Weight: 0%

**Explanation:** TFCA agreements are implemented mainly by the local board or oversight committee, and are not under direct USG control. However, TFCA agreements require regular financial audits of local TFCA program entities, and local TFCA programs report on the activities of the program. TFCA agreements also provide for a USG representative on local boards or oversight committees; in many of the more recent agreements, limits on administrative costs are specified. Because the USG does not control local TFCA programs, it would not be possible to provide a satisfactory answer to this question. Every efforts is made to ensure that agreements are structured so that program implementation will be successful and that USG goals will be met.

**Evidence:** The Tropical Forest Conservation Act. Sample TFCA Agreement. Sample financial audit.

**3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?** Answer: YES Question Weight:14%

**Explanation:** Treasury obligates funds on the closing date of each agreement. TFCA agreements are specific about what grant activities may be funded with local TFCA program funds.

**Evidence:** TFCA Obligation Sheet. Sample TFCA Agreement

**3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?** Answer: YES Question Weight:14%

**Explanation:** The TFCA Evaluation Sheet contains criteria to measure program efficiency and cost effectiveness. In addition, administrative costs of local TFCA program entities are generally limited by administrative cost caps specified in the TFCA agreements. Administrative costs are tracked and reported to the oversight committee or board of the local TFCA program.

**Evidence:** The TFCA Evaluation Sheet contains efficiency measures such as request for proposal and grant processing time, as well as administrative cost containment. TFCA Evaluation Sheet. Sample financial audit. Sample TFCA agreement.

**3.5 Does the program collaborate and coordinate effectively with related programs?** Answer: YES Question Weight:14%

**Explanation:** USAID maintains other tropical forest conservation and natural resource management programs. USAID has missions and environmental programming in all of the countries with TFCA programs (with the exception of Belize). USAID personnel serve as the USG representative on most of the TFCA boards or oversight committees, which promotes coordination. In addition, in many TFCA programs, NGO donors active in the country also sit on oversight committees, thus increasing coordination.

**Evidence:** Examiner has discussed coordination with agency staff and believes significant coordination exists. There is significant Inter-Agency coordination, and coordination with NGO partners, throughout the process.

## PART Performance Measurements

**Program:** Tropical Forest Conservation Act  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Credit

Section Scores				Rating
1	2	3	4	Results Not
100%	75%	100%	20%	Demonstrated

**3.6 Does the program use strong financial management practices?** Answer: YES Question Weight: 14%

Explanation: Treasury uses OMB's credit subsidy calculator in calculating the cost of debt reduction. Flows being treated are verified by the creditor agency. TFCA Agreements require annual financial audits of local TFCA programs.

Evidence: Credit Subsidy Calculator sheets. Example of financial audit.

**3.7 Has the program taken meaningful steps to address its management deficiencies?** Answer: YES Question Weight: 14%

Explanation: The Administration requested and received two changes in the recent TFCA reauthorization process to improve the efficacy of the program: the ability to treat principal as well as interest under all program options, which may increase "leverage" by increasing the number of payment streams that Treasury may select from in negotiating debt reduction agreements; and authorization to use a portion of TFCA appropriations to fund independent audits in the future, to bolster program follow-up and evaluation. In addition, implementing agencies have developed the TFCA Evaluation Sheet to standardize the consistency and quality of local TFCA program reporting and to augment measurement of program effectiveness.

Evidence: PL 108-323. TFCA Evaluation Sheet

**3.CR1 Is the program managed on an ongoing basis to assure credit quality remains sound, collections and disbursements are timely, and reporting requirements are fulfilled?** Answer: NA Question Weight: 0%

Explanation: There are no payments to, or disbursements from, the USG with respect to debt payments redirected to local TFCA programs. However, TFCA agreements specify remedies for late payments/arrears. The USG sits on all TFCA boards and oversight committees, and regular financial audits of local TFCA program entities are required.

Evidence:

**3.CR2 Do the program's credit models adequately provide reliable, consistent, accurate and transparent estimates of costs and the risk to the Government?** Answer: YES Question Weight: 14%

Explanation: Treasury uses OMB's credit subsidy calculator to calculate debt reduction costs. Such costs are verified by OMB. The repayment flows being forgiven are verified by the creditor agency.

Evidence: Credit Subsidy Calculator sheets.

**4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals?** Answer: NO Question Weight: 20%

Explanation: Most TFCA programs are fairly new, and it is therefore difficult to judge yet whether adequate progress is being made. With that said, many local TFCA programs have disbursed a significant amount of grant funding toward forest conservation. The implementation of the TFCA Evaluation Sheet and the maturation of TFCA programs will allow for judgments in the future about whether progress is being made.

Evidence: Report to Congress May 2004 explains the effectiveness of the TFCA program in meeting the goals laid out in the authorizing legislation. Further analysis of the program's progress in meeting its long term goals will not be possible until the Evaluation Sheets are implemented and evaluations have been conducted.

## PART Performance Measurements

**Program:** Tropical Forest Conservation Act  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Credit

Section Scores				Rating
1	2	3	4	Results Not
100%	75%	100%	20%	Demonstrated

**4.2 Does the program (including program partners) achieve its annual performance goals?** Answer: NO Question Weight 20%

**Explanation:** Information on the achievements of local TFCA programs is limited by the short amount of time most have been up and running. However, many of the programs have disbursed grants and provided information on the conservation efforts being funded. The implementation of the TFCA Evaluation Sheet and the maturation of local TFCA programs will allow for judgments in the future about whether progress is being made.

**Evidence:**

**4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?** Answer: NO Question Weight 20%

**Explanation:** Most programs have been operational for only a short time, and the TFCA Evaluation Sheet has only recently been developed. Until these measures are in place it is impossible to demonstrate improved efficiencies or cost effectiveness.

**Evidence:**

**4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?** Answer: YES Question Weight 20%

**Explanation:** TFCA targets counties that meet stringent political and economic eligibility criteria, limiting participation to countries with a climate conducive to a successful program. In addition, the TFCA program is one of the few sources of reliable long-term funding for forest conservation activities, as the funds directed toward conservation under TFCA are generally paid in over a period of 10 to 20 years. In many cases the TFCA program is also a source of endowment funding, thus providing even longer-term sustainable financing for conservation. The participation of USG, local government, and donor and local NGOs on TFCA entity boards or oversight committees fosters and extraordinary level of long-term cooperation on conservations efforts, a unique feature of this program among comparable USG programs.

**Evidence:** Sample TFCA agreement showing board/oversight committee composition. Sample TFCA agreement showing payment stream over long-term. TFCA eligibility criteria.

**4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?** Answer: NO Question Weight 20%

**Explanation:** No independent program evaluations of local TFCA programs have been undertaken, as most of the these programs have only recently been created. However, the Administration has asked for authorization to use a portion of TFCA appropriations to fund independent program audits in the future.

**Evidence:**

## PART Performance Measurements

**Program:** Tropical Forest Conservation Act  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Credit

Section Scores				Rating
1	2	3	4	Results Not
100%	75%	100%	20%	Demonstrated

**Measure:** Percentage of TFCA programs submitting evaluation sheet information (including information on individual program outcome goals).

**Additional Information:** % of programs operational for at least one year submitting scorecard information

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2006	Baseline	0%	
2007	100%		
2008+	100%		

**Measure:** Percentage of TFCA programs (operational for at least two years) receiving an evaluation sheet score of 'acceptable' or above.

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2006	Baseline	0%	
2007	100%		
2008+	100%		

**Measure:** Percentage of new TFCA Agreements operational within one year of agreement signing.

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2006	Baseline	0%	
2007	100%		
2008+	100%		

## PART Performance Measurements

**Program:** Tropical Forest Conservation Act  
**Agency:** Department of the Treasury  
**Bureau:** International Affairs  
**Type(s):** Credit

Section Scores				Rating
1	2	3	4	Results Not
100%	75%	100%	20%	Demonstrated

**Measure:** Percentage of programs operational for at least two years rated acceptable with respect to strategic plan

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2006	Baseline	0%	
2007	100%		
2008+	100%		

**Measure:** Percentage of programs operational for at least two years conducting annual review of progress under strategic plan

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2006	Baseline	0%	
2007	100%		
2008+	100%		

**Measure:** Percentage of programs operational for at least two years disbursing reasonable level of grants annually.

**Additional Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2006	Baseline	0%	
2007	100%		
2008+	100%		

## PART Performance Measurements

**Program:** U.S. Mint: Numismatic Program  
**Agency:** Department of the Treasury  
**Bureau:** United States Mint  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	100%	100%	74%	

**1.1 Is the program purpose clear?**

Answer: Yes

Question Weight 20%

**Explanation:** The program purpose is clearly stated in federal legislation which is supported by the Mint's mission and budget statements. The purpose is to design, sell and deliver quality Numismatic collectible products.

**Evidence:** US Code Title 31, section 5111, Minting and issuing coins and numismatic items; PL 104-52, Public Enterprise Fund; Strategic Plan, page 3

**1.2 Does the program address a specific and existing problem, interest or need?**

Answer: Yes

Question Weight 20%

**Explanation:** All numismatic products (I.e. bullion, proof sets, commemorative coins) are produced and marketed to satisfy the interests and demands of the coin collecting community. Additionally, if set forth in legislation, the price of commemorative coins includes a surcharge, which is paid to coin recipient organizations to meet their financial needs when these organizations satisfy certain program requirements.

**Evidence:** 2003 Mint Annual Report, pages 12 and 27; commemorative coin legislation (e.g. First Flight, Edison) which states how surcharge funds received must be used

**1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?**

Answer: YES

Question Weight 20%

**Explanation:** The Mint is the only entity that produces legal tender collectible coinage. We often partner with private sector vendors to repackage our coins for display and sale in the secondary market. There are private firms that use the word 'Mint' in their name and they issue tokens (coin-like products) but these products are not US legal tender coinage.

**Evidence:** Per the Mint's Legal Counsel, Dan Shaver, only entity is inferred from 31 U.S.C. section 321 (a) (4), and section 5103, and 5111 (a) (1). Web listing of private mints and example of products sold.

**1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency?**

Answer: YES

Question Weight 20%

**Explanation:** The Mint makes its coins at state-of-the-art facilities with the use of robotics. Customers are able to view and order products online, or if they choose, can order their products by telephone or mail. After an order is placed, coins are usually shipped within 3 days. This level of order fulfillment and real time product order/delivery is consistent with quality production and sales objectives in the private sector.

**Evidence:** 2003 Mint Annual Report. Support for ship within 3 days

**1.5 Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?**

Answer: YES

Question Weight 20%

**Explanation:** The American Customer Satisfaction Index (ACSI) score of 87 for the U.S. Mint was the highest of any government agency, and second highest of all entities (public and private) evaluated. The high score reflects world class customer service, rapid order delivery, and high product quality (e.g. few returns/dissatisfied customers). The beneficiaries of the U.S. Mint's high customer service are Numismatic customers.

**Evidence:** ACSI Results for Government from ACSI website; Mint Director email on 2003 ACSI; Anne Hull, Washington Post Dec. 15, 2003



## PART Performance Measurements

**Program:** U.S. Mint: Numismatic Program  
**Agency:** Department of the Treasury  
**Bureau:** United States Mint  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	100%	100%	74%	

**2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?**      Answer: YES      Question Weight:15%

**Explanation:** The Mint has a limited number of specific long-term measures. Customer Satisfaction Index (CSI) and inventory turnover are two key measures for this budget activity. The Strategic Plan Goal of the program is to design, sell, and deliver quality collectible products while holding down costs and streamlining operations. CSI, an outcome measure, tells us how well our customers view the quality of our products, the service they receive, and delivery responsiveness. Inventory turnover, an efficiency measure, is the number of times per year the inventory is sold; a higher inventory turnover indicates a more rapid cycle time, leaner manufacturing environment, and lower operating costs.

**Evidence:** Mint Strategic Plan, pages 3, 5, and 6.

**2.2 Does the program have ambitious targets and timeframes for its long-term measures?**      Answer: YES      Question Weight:16%

**Explanation:** The Mint has a target of 90 percent by 2007 on the CSI index; this target was raised from 70% given our strong performance in the baseline year for the measure. The CSI baseline year was 2003 and we scored 87%, exceeding our first year performance goal of 70%. Inventory turnover target performance is 5.1 turns per year in FY 2006 .

**Evidence:** Mint Strategic Plan; FY 05 President's Budget

**2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?**      Answer: YES      Question Weight:14%

**Explanation:** U.S. Mint Strategic Plan Goal 3-- Design Sell and Deliver Quality Products, is supported by 3 objectives that focus on increasing revenues and profits, providing excellent customer service, and redesigning coinage and medals. Each of these objectives is supported by tactical business plans specific to numismatics, which outline targets/milestones. SES performance appraisals delineate these targets as criteria for successful performance, and internal metrics with associated targets track our performance month-to-month (e.g. daily sales report, orders vs. plan, net shipped product by channel, etc).

**Evidence:** U.S. Mint Strategic Plan, Mint Planning Session, Sales and Marketing, December 2003, pages 1 to 6; SES appraisal forms; daily sales report, results of internal metrics and targets.

**2.4 Does the program have baselines and ambitious targets for its annual measures?**      Answer: YES      Question Weight:14%

**Explanation:** The Mint has ambitious targets for both its long-term and annual measures. Inventory Turnover baseline established in FY02 (1.96 turns Mint-wide) and CSI baseline established in FY03 (87%). The Mint also has baselines and targets for internal metrics referenced in Q3, and those can be reviewed in the attached evidence (e.g. Order Quality target = 90%; Customer Care Center (CCC) Performance Target = 90%, etc)

**Evidence:** 2005 Department and OMB budget Submissions; 2002-2007 Strategic Plan; Internal annual metrics from Q3 above.

## PART Performance Measurements

**Program:** U.S. Mint: Numismatic Program  
**Agency:** Department of the Treasury  
**Bureau:** United States Mint  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	100%	100%	74%	

**2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?** Answer: YES Question Weight: 14%

**Explanation:** The Mint partners with the U.S. Postal Service to produce a collectible product called a "First Day Cover" that consists of two state quarters from the first day of mintage and a postage stamp postmarked on the issue date. The Postal Service works with the Mint to ensure that the finished product (coin and stamp) is available the "First Day" the state coin is issued to support our sales goals. The Mint and U.S. Postal Services also partnered to create a product that combines a State Quarter from the 50 State Quarter Program with its counterpart state stamp from the Greetings From America stamp series.

**Evidence:** www.usmint.gov listing of first-day covers and product examples.

**2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?** Answer: YES Question Weight: 7%

**Explanation:** The American Customer Satisfaction Index (ACSI) score of 87% for the U.S. Mint in FY 2003 was the highest of any government agency, and second highest of all public and private entities evaluated. The ACSI is a composite independent evaluation of the entire Numismatic program completed by the University of Michigan.

**Evidence:** ACSI Results for Government from ACSI website; Mint Director email on 2003 ACSI; Anne Hull, Washington Post Dec. 15, 2003

**2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?** Answer: YES Question Weight: 10%

**Explanation:** The Performance Goal as articulated in the FY05 President's Budget submission reads, "Meet or exceed the needs of the Federal Reserve and the public by designing, selling and delivering quality circulating and numismatic coins." The performance goal is quantified by revenue targets for the Numismatic program (Revenue Targets: FY04 = \$493M; FY05 = \$500M). The performance measures and associated targets that define overall program success are Numismatic Inventory Turnover (efficiency; Targets: FY03 = 3.3, FY04 = 3.3) and Customer Service Index (outcome; Targets: FY03 = 70%, FY04 = 87%). The relationship of goals, targets, and measures is illustrated in the supporting 'measures' table. The full cost of the entire numismatic program is transparently described in the President's Budget in data tables and supporting narrative.

**Evidence:** OMB FY 2005 Performance budget Submission; Mint intranet PMA web site; Green Status -- President's Management Agenda Budget and Performance Integration

## PART Performance Measurements

**Program:** U.S. Mint: Numismatic Program  
**Agency:** Department of the Treasury  
**Bureau:** United States Mint  
**Type(s):** Direct Federal

Section Scores				Rating
1	2	3	4	Effective
100%	100%	100%	74%	

**2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies?** Answer: YES Question Weight: 10%

**Explanation:** The Mint Executive Team (comprised of the Mint Director, all SES staff, and key GS15 managers) meets Monday through Thursday of every week for 1 hour each day. These meetings are used to review financial data, GPRA performance metrics, President's Management Agenda progress, resolve EEO and other HR issues, discuss product design, adjust production schedules, and generally resolve other operating issues in a real-time, rapid response manner. The Executive Team reviews all key Numismatic issues each month. Some outcomes of these sessions have included major funding changes and developing or eliminating performance measures.

**Evidence:** Office of Brand Management, FY 03 Accomplishments; SAM BluePrint For Achievement. 10 Key Performance Measures

**3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?** Answer: YES Question Weight: 21%

**Explanation:** The Mint has 10 GPRA performance measures which are updated by the tenth working day of each month, and these measures tie back to the performance of the Numismatic program. Numismatic programs utilize other metrics, such as daily sales tracking and weekly back order reports. These reports are used to monitor the flow of products from manufacturing to our customers.

**Evidence:** Charts showing numismatic orders and performance metrics; Measures in annual report, strategic plan and on the Mint's intranet big picture web site; Congressional Budget Submission

**3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?** Answer: YES Question Weight: 21%

**Explanation:** As of FY 03, all Mint service contracts must be performance-based unless the Mint Director waives this requirement. This means that partners are held accountable for their cost, schedule, and performance. Mint senior managers have specific individual performance goals as part of their annual appraisal and these goals align with the Mint strategic goals.

**Evidence:** Mint performance based contracts; SES appraisal forms showing accountability for performance

**3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?** Answer: YES Question Weight: 14%

**Explanation:** Numismatic programs spend what they need to support sales which are based on customer demand. The Mint is a Public Enterprise Fund (PEF) and its operations are funded from the sale of circulating coins to the Federal Reserve, and the sale of numismatic products and bullion coins to customers worldwide. The Mint remits funds to the Treasury General Fund in excess of what it costs to run the Mint. The Mint tracks Numismatic obligations monthly to ensure timeliness and the intended purpose of funds relative to budgeted parameters.

**Evidence:** OFPAR analysis of FY 03 apportionment (numismatics portion only); Financial Summary report, S. Report to Congress For The period From October 1 Through December 31, 2003 (First Quarter FY 2004)

## PART Performance Measurements

**Program:** U.S. Mint: Numismatic Program  
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Section Scores				Rating
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100%	100%	100%	74%	

**3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?** Answer: YES      Question Weight: 7%

**Explanation:** Each Numismatic program has a corresponding profit/loss statement that is evaluated to assess cost effectiveness, and can be analyzed to assess incremental changes in per unit production costs. In FY 03, Numismatics revised various vendor contracts to ensure cost efficiencies and the timely delivery of products. All new contracts have incentives and disincentives based on the timeliness of acceptable deliveries.

**Evidence:** Mint 2003 Annual Report; performance-based contracts; Profit and Loss Statement example (proof sets)

**3.5 Does the program collaborate and coordinate effectively with related programs?** Answer: YES      Question Weight: 7%

**Explanation:** The U.S. Mint partners with each of the 50 States' Governor's Offices to select designs for the 50 States Commemorative Quarter Program. This process was established at the start of the 50 States Quarter program and has successfully resulted in more than 25 new quarters to date in a five year period. The process begins 24 months prior to the year the effected states' quarter will be released.

**Evidence:** U.S. Mint State Quarter design process from www.usmint.gov

**3.6 Does the program use strong financial management practices?** Answer: YES      Question Weight: 7%

**Explanation:** The program uses strong financial management techniques as evidenced by the Mint's 10 consecutive clean audit opinions from our external auditors. This means that the Mint's auditors have determined that our financial statements are reliable and accurately reflect the Mint's financial condition. There are no material internal control weaknesses identified for the program. Further, the Mint's Office of Management Services within the CFO office conducts reviews and studies to evaluate the efficiency and effectiveness of Mint programs, major initiatives, and finance functions.

**Evidence:** Mint Director congratulations email to Mint staff (clean audit opinions); UKW audit letters; The Mint has established an internal function to help keep the agency on track in addressing OIG and GAO audit recommendations. A monthly status is provided to the executive team.

**3.7 Has the program taken meaningful steps to address its management deficiencies?** Answer: YES      Question Weight: 23%

**Explanation:** As stated above, the Mint's Executive Team meets 4 times per week. These meetings are used to review financial data, GPRA performance metrics, President's Management Agenda progress resolve EEO and other HR issues, discuss product design, adjust production schedules, and to generally resolve other operating issues in a real-time, rapid response manner.

**Evidence:** OMB attended recent Executive Team session; SAM FY 04 goals; SAM Areas of Improvement; 2005 OMB budget, page Mint-22

## PART Performance Measurements

**Program:** U.S. Mint: Numismatic Program  
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**4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals?**      Answer: LARGE EXTENT      Question Weight: 40%

**Explanation:** The Mint is performing well in its customer service measure and is making long-term steady progress in its inventory turnover measure. The Customer Service Index measuring these components scored an 87% in 2003 and exceeded its established benchmark of 70% for that time period. To promote continuous improvement, the long-term 3 year target (benchmark) was raised to 87% for FY06. In FY 04, the measure was 78%. In addition, the Mint successfully increased its inventory turnover from 1.96 in 2003 to 2.48 in 2004. The goal in 2004 was 3.3.

**Evidence:** US Mint Strategic Plan; FY 2003 Annual Report; FY2003-04 Congressional Budget Submissions, Customer Service Index report, Cycle Time report,

**4.2 Does the program (including program partners) achieve its annual performance goals?**      Answer: LARGE EXTENT      Question Weight: 40%

**Explanation:** The Performance Goal as articulated in the FY05 President's Budget submission reads, "Meet or exceed the needs of the Federal Reserve and the public by designing, selling and delivering quality circulating and numismatic coins." The performance goal is quantified by revenue targets for the Numismatic program, and the Mint is currently on pace to exceed its performance goals. The performance measures and associated targets that define overall program success are Inventory Turnover (efficiency; Targets: FY03 = 3.3, FY04 = 3.3) and Customer Service Index (outcome; Targets: FY03 = 70%, FY04 = 87%), as discussed above.

**Evidence:** FY 2003 US Mint Annual Report; FY 2005 President's Budget; (Revenue Targets: FY04 = \$493M; FY05 = \$500M; Actual Performance [forecast]: FY04 = \$636M; FY05 = \$600M).

**4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?**      Answer: YES      Question Weight: 10%

**Explanation:** The FTEs in our dedicated Numismatic facilities (West Point, San Francisco) have declined 16% from FY02 to April 2004, and Mint-wide FTEs have declined 11% in the same timeframe, lowering operating costs. These reductions were possible as a result of improved process efficiencies related to cycle time. From FY02 - FY04 (forecasted) Numismatic revenues (e.g. level of activity) have increased at an annualized rate of 18%, while Numismatic revenues excluding bullion have increased at an annualized rate of 12%. Key reasons for this increase in revenue are sustained strong customer service, and rigorous redesign of several core products (nickel, 50 state quarter, product innovation) driving up customer demand.

**Evidence:** Annual Mint Budget Submissions; Annual Mint Reports

**4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?**      Answer: YES      Question Weight: 5%

**Explanation:** The American Customer Satisfaction Index (ACSI) score of 87% in FY 2003 for the U.S. Mint was the highest of any government agency, compared to an average government agency score of 70%. While the Mint is a unique agency in being the only entity, public or private, to produce legal tender coinage, we do compare favorably to similar government agencies like the U.S.P.S.

**Evidence:** ACSI results; see above; 2003 BEP annual report

## PART Performance Measurements

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**Type(s):** Direct Federal

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100%	100%	100%	74%	

**4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?**      Answer: YES      Question Weight: 5%

**Explanation:** The American Customer Satisfaction Index (ACSI) score of 87% for the U.S. Mint in FY 2003 was the highest of any government agency, and second highest of all public and private entities evaluated. The ACSI is a composite independent evaluation of the entire Numismatic program completed by the University of Michigan.

**Evidence:** ACSI Results for Government from ACSI website; Mint Director email on 2003 ACSI; Anne Hull, Washington Post Dec. 15, 2003

**Measure:** Efficiency measure: Inventory Turnover - The number of times per year the average inventory is sold. The Mint seeks to minimize its inventory of raw materials and finished goods to reduce the associated costs. This measure indicates whether the Mint is efficiently handling its resources.

**Additional Information:** The costs of goods sold divided by the average inventory level for the time period. Expressed on an annualized basis.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Annual
2003	3.3	1.96	
2004	3.3	2.48	
2006	5.1		
2005	4.2		

**Measure:** Long-term Measure: Customer Satisfaction Survey - A measure of the satisfaction of customers with numismatic products. Combines elements of product quality, responsiveness, and order fulfillment.

**Additional Information:** The formula for the CI = 0.33 (1 - number of returns/number of orders) + 0.33 (% of calls answered within 1 minute) + 0.33 (1 - % of orders fulfilled beyond 7 days)

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<b>Measure Term:</b> Long-term
2003	70%	87%	
2004	87%	78%	
2006	87%		
2005	87%		