DEPARTMENT of HEALTH and HUMAN SERVICES

PROGRAM SUPPORT CENTER

FY 2008 Annual Performance Report

Introduction

This FY 2008 Annual Performance Report provides information on Program Support Center's actual performance and progress in achieving the goals established in the FY 2008 Annual Performance Plan which was published in February 2008.

The goals and objectives contained within this document support the Department of Health and Human Services' Strategic Plan (available at http://aspe.hhs.gov/hhsplan/2007/).

Transmittal Letter from PSC Director

I am pleased to transmit the Program Support Center's (PSC) fiscal year (FY) 2008 Annual Performance Report. The information delivered in this report is in compliance with guidance provided by the Office of Management and Budget. This report also meets the requirements of the Government Performance and Results Act. In this report, PSC's performance is assessed against our performance targets in PSC's FY 2009 Congressional Justifications and FY 2009 Online Performance Appendix.

Data used to report progress are reliable and as complete as possible. Inherent to the nature of our work is a time lag between when we take action as the shared services provider for HHS and when we can measure result from that action. Therefore, for the reporting year, we cannot provide results data for two of our performance measures.

Paul S. Bartley
Deputy Assistant Secretary for Program Support

Department of Health and Human Services
Program Support Center
FY 2008 Annual Performance Report

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Summary of Performance Targets and Results

Fiscal Year	Targets	Results Reported	Results Reported ÷ Targets	Targets Met	Targets Unmet	Targets Unmet But Improved	% of Targets Met
2004	15	15	100%	12	3	3	80%
2005	10	9	90%	3	6	3	33%
2006	10	9	90%	5	4	0	56%
2007	10	8	80%	5	3	0	63%
2008	10	8	80%	6	2	1	75%
2009	10	--	--	--	--	--	--

This table provides a summary of the number of targets that PSC reports under the Government Performance and Results Act (GPRA) and the progress it has made in achieving its targets. The percentage of "Results Reported" is the percentage of the number of results reported for the fiscal year divided by the total number of targets for that same fiscal year. The "% of Targets Met" is the percentage of the number of targets met for the fiscal year divided by the number of results reported in the same fiscal year.[1]

By focusing on PSC-wide outcome oriented goals, over the years PSC has reduced the overall number of its performance measures by 77 percent; from 44 measures in FY 2002 to 10 measures in FY 2005 and to the present. The reduction in performance measures allowed PSC to direct its resources to entity-wide outcomes. Using a logic model in its performance management approach, PSC has defined overall goals of improving quality and cost savings to the Department. These are crucial for PSC to successfully achieve its mission. To measure success, PSC will continue to track 10 performance measures through FY 2009.

For FY 2008, PSC successfully met the targets for 6 of its 10 performance measures. Of the remaining 4 performance measures, 2 targets were not met and the results of 2 performance measures are not yet available. PSC achieved or exceeded the targets related to Timeliness (Performance Measure 1.1), Customer Satisfaction (Performance Measure 1.2), Timely Billing (Performance Measure 1.3), Increase in Number of Customers (Performance Measure 2.1), Department-wide Consolidations (Performance Measure 3.1), and Overhead Costs (Performance Measure 3.2).

On the other hand in FY 2008, PSC did not meet the targets related to Intra-service Costs (Performance Measure 3.3) and Cost Recovery (Performance Measure 3.5). Although PSC did not meet the target for Cost Recovery (Performance Measure 3.5), the performance result was improved over the prior year. The FY 2008 performance results

[1] The "Results Reported" column for FY 2007 increased from 7 to 8 in the FY 2009 Congressional Estimates because of the availability of the FY 2007 Performance Measure 3.4 (Employee Satisfaction) result which is discussed in the *Performance Detail* section of this document. In the FY 2007 row of the *Summary of Performance Targets and Results*, the percentage of the "Results Reported" changed from 70% to 80%. Since the FY 2007 performance result for the Employee Satisfaction did not meet the performance target, the "Targets Unmet" increased from 2 to 3 and the "% of Targets Met" changed from 71% to 63%.

for Employee Satisfaction (Performance Measure 3.4) and Financial Audit (Performance Measure 3.6) are not yet available.[2]

While PSC did not achieve all its performance goals for FY 2008, overall it made significant progress. For FY 2008, the percentage of targets met was 75% compared to 63% in FY 2007 and 56% in FY 2006. The percentage increase from FY 2006 to FY 2007 was 7% and the percentage increase from FY 2007 to FY 2008 was 12%.

[2] The results for the Employee Satisfaction (Performance Measure 3.4) will be available in March 2009 and Financial Audit (Performance Measure 3.6) will be available in January 2009. The results will be published in the FY 2010 Congressional Justifications.

Performance Detail

Outcomes & Output Tables:

#	Key Outcomes	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Target	FY 2008 Actual	FY 2009 PB Target
Long Term Objective 1: Improve quality – Provide quality administrative support so that high performance can be maintained in HHS Program Services.							
1.1	Increase the percentage of services achieving timeliness targets.	92%	96%	95%	95%	95%	95%
1.2	Increase the percentage of customers responding to PSC comment cards and indicating excellent/good ratings for satisfaction of services.	87%	95%	91%	90%	91%	90%
1.3	Increase the percentage of cost centers processing billings to coincide with service delivery.	N/A	N/A	87%	95%	95%	95%
Long Term Objective 2: Increase Cost Savings to HHS by Expanding Market Share or Increasing Size of Customer Base.							
2.1	Increase percentage of new customers acquired annually.	29.4% increase (234 new customers)	22% increase (194 new customers)	17.6% increase (189 new customers)	2% increase over FY07 (25 new customers)	4% increase over FY07 (54 new customers)	2% increase over FY08
Long Term Objective 3: Increase Cost Savings to HHS through Asset Management.							

#	Key Outcomes	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Target	FY 2008 Actual	FY 2009 PB Target
3.1	Participate in Department wide consolidations.	--	--	0 consolidations	1 consolidation	2 consolidations	1 consolidation
3.2	Maintain PSC overhead rate to be less than 1.6% of total costs.	8%	1.4%	1.3%	1.6%	1.2%	1.6%
3.3	Maintain percentage of revenue consumed by intra-service costs.	10%	77.0%	4.0%	4.0%	5.0%	4.0%
3.4	Increase the percentage of overall employee satisfaction PSC-wide.	Goal Not Measurable	61%	58%	75%	Mar-09	75%
	Increase the percentage of cost centers recovering within an established variance and achieving target Net Operating Result (NOR).	62%	62%	60%	75%	61%	75%

Performance Narrative

Overview of PSC Performance

As PSC strives to be the provider of choice across the Federal government, it continues to be performance driven in an effort to provide high quality and competitively priced administrative support services to its customers. Linking PSC's performance organizationally and measuring its progress and performance is an essential part of the strategic visioning and planning process. The PSC mission and vision are focused on delivering products and services to customers that are recognized as high value for the price paid. PSC's Strategic Plan 2005-2009 identifies goals that enable employees and leaders within the organization to remain focused on this mission and vision. In order to measure its success in a quantifiable manner, PSC tracks ten performance measures that directly and indirectly link to each of the strategic goals. To this end, the two primary outcomes that PSC strives to achieve are quality delivery and cost-effective operations. By striving to achieve these outcomes, PSC will support the Department's efforts for responsible stewardship and effective management.

PSC implemented three performance measures specifically targeted at addressing quality of delivery. This is important for PSC in order to achieve our strategic goals of *Excellent Customer Service, Excellent Workforce, and Excellent Communication*. By gathering data to measure timeliness of service, customer satisfaction, and timely billing, PSC elicits feedback from customers about services and employees, identifies process improvements, determines gaps in employee training needs, and enhances communication vehicles between employees and customers.

PSC also established a series of performance measures that focus on the total cost to the customer. PSC measures the factors that influence total cost of operations. By tracking and analyzing this data, it is able to take a proactive approach to understanding what drives the prices customers pay for PSC services. It is essential that this be done across the organization in order for the PSC to run a fiscally sound enterprise and provide the best value to our customers. This is the cornerstone of the strategic goal of *Excellent Resource Management*.

Using these measures to identify successes and gaps, PSC is better positioned to achieve the fifth strategic goal of becoming the *Benchmark for the Federal Shared Services Community*. PSC has worked diligently for the past several years to reengineer processes, control costs, set service level expectations with customers, and develop its employees as customer service providers. The clear vision and purpose in each of these activities was to ensure that PSC improved its service delivery approach so that customers and competitors in the marketplace recognize PSC as a state of the art organization that is the provider of choice. PSC's intent is for competitors in both the public and private sectors to look to PSC as the premier provider of administrative shared services and benchmark their approach, price, and service levels against those provided by PSC. This is a long range goal that requires a strict focus on continuous improvement, understanding of customer needs, and awareness of the market. In the short term, PSC remains committed to performing its own benchmarking activities to better understand how it compares to its competitors. This comparison allows PSC leaders to make educated decisions that help them achieve the end goal of “Becoming the Benchmark.” Having performance results and benchmarking data accessible enables PSC to adjust to the ever-changing business context in which it operates and ultimately gives it the tools necessary to reach the top of the market.

In addition, the performance measures that have been established have a direct link to PSC’s efforts in implementing strategies related to the President’s Management Agenda (PMA). For example, as a key measure related to the Strategic Management of Human Capital, PSC tracks employee satisfaction and uses this data to implement programs to improve human capital processes and capabilities. The results of the human capital surveys conducted in FY 2003 and FY 2004 demonstrated that employees wanted communications to improve as well as to have opportunities for career growth. To address communications, PSC implemented a Communication Program that includes an employee newsletter, new hire orientation program, and an annual communications survey.

The results of the FY 2007 survey were released to PSC in March 2008 and demonstrated that PSC employees who responded to the survey had an overall job satisfaction rating of 58%. Therefore, the FY 2007 target of 75% was not met. To address the outcome of the FY 2007 human capital survey, the PSC continued the implementation of the employee engagement program to communicate survey results and generate discussions over how to address negative results.

The annual communications survey conducted in FY 2008 revealed that the PSC eNews, which was implemented as an employee newsletter, was “Useful” or “Somewhat Useful” to 73% of the respondents. Feedback from the new hire orientation program revealed that knowledge of HHS, PSC and PSC Performance increased by 10%, 40% and 42% respectively. In addition, 51% of the attendees of the new hire orientation rated it as excellent and 58% felt that it was relevant, contained the right amount of detail, and prepared them to work in the PSC.

On the whole, the PSC Employee Communication Survey results showed many components of PSC communications are effective in providing useful and timely information to the PSC employee. The data also showed there are some areas that will require more attention. Those areas have been the focus of continuous improvement in the Communications Program which is an ongoing effort.

To address opportunities for career growth, PSC implemented the Individual Development Planning (IDP) Program in FY 2006. The IDP Program allows employees to develop a detailed, action-based plan that targets development activities that employees plan to complete to support their professional goals. The program also fosters two-way communication between employees and supervisors to ensure that employees are receiving the necessary support and guidance from their direct supervisors.

The implementation of the IDP Program has been delayed by staffing shortages and failure of HHS University to implement the performance management module of the Saba Learning Management System.

PSC is committed to the PMA goal of Improving Financial Performance. To achieve this goal, PSC established a performance measure to achieve a clean audit opinion with no material weaknesses and reportable conditions. This PMA goal also sets expectations around cost management and PSC has two measures that specifically track intra-service costs and overhead costs to ensure that these costs are contained.

In an effort to expand E-Government, PSC is tracking the number of Department-wide consolidations in which it participates. Many of these initiatives are centered on implementing centralized E-Solutions that have an impact on multiple Operating Divisions (OPDIVs), which in turn are expected to reduce costs across the Department.

In FY 2008, the Strategic Sourcing Program is one example of the Department achieving cost savings. By consolidating procurement activity across HHS to leverage purchasing power and reduce purchase costs associated with certain goods and services, the Department lowered overhead operating costs by $27.4 million based on actual usage of the consolidated contracts.

In FY 2008, PSC participated in two Department-wide consolidations through HHS Consolidated Acquisition Solution (HCAS) and HSPD-12 Shared Biometric Enrollment and PIV Card Issuance Initiative. There were two distinct ways in which administrative cost savings were realized. First, by consolidating operations and maintenance activities for HCAS into one team, PSC was able to bring IHS onto HCAS without additional administrative staff. Additional HHS OPDIVs will be joining in this effort in FY09 without a requirement for additional administrative staff. In addition, cost savings have been achieved between HCAS Operations and UFMS operations with respect to sharing and leveraging tools, processes and infrastructure. HCAS achieved approximately $1.5M savings in contracted resources, $1.1M in savings in software tool costs and $0.5M in server infrastructure.

PSC in a calculated effort to reduce costs and minimize duplication of effort across HHS, has purchased and deployed HSPD-12 mobile Biometric enrollment and Personal Identity Verification (PIV) card issuance stations in the last quarter of FY 2007 and the first quarter of FY 2008 which offers OPDIVs the opportunity to enroll and be issued the new PIV card without having to procure, install and maintain expensive equipment, as well as staff the effort. These networked systems also eliminate the need for personnel to travel to their headquarters' offices for enrollment and PIV card issuance, saving time and money. The HSPD-12 initiative is estimated to achieve an approximate savings of $2.5M over 18 months for the Department. Additional savings and benefits should follow when other OPDIVs and STAFFDIVs choose to use the Division of Security Services (DSES) at PSC as an HSPD-12 enrollment and issuance service provider. Currently National Institute of Health (NIH), National Disaster Medical System (NDMS), Centers for Medicare and Medicaid Services (CMS), Indian Health Services (IHS), Office of

Medicare Hearings and Appeals (OMHA) and the Office of Inspector General (OIG) have signed memoranda of understanding governing provision of these services.

By tracking PSC's participation in Department-wide consolidations, PSC will demonstrate its commitment to ensuring HHS duplication of services Department-wide is limited and that cost-effective administrative support services are delivered.

For FY 2008, PSC successfully met or exceeded the targets for 6 of its 10 performance measures. In the area of improving quality, PSC exceeded its targets for timeliness of service delivery, customer satisfaction and timely billing. In the area of market share expansion, PSC exceeded the target to acquire new customers. In the area of asset management, PSC participated in Department-wide consolidations and maintained its budgeted FTE staffing levels. Of the remaining 4 performance measures, 2 targets were not met and the results of the other 2 performance measures are not yet available. In the area of asset management, PSC was unable to achieve the targets to reduce intra-service costs and achieve cost recovery.

While we may not achieve all performance measures from year to year, PSC continues to make significant progress toward achieving its primary outcomes of quality delivery and cost effective operations and will continue this effort in FY 2009.

Detail of Performance Analysis

This section provides details on PSC's performance as the provider of premium, centralized administrative support goods and services for HHS. The following pages provide performance tables that present performance measures, targets, and actual results for PSC. These tables are followed by a performance analysis to provide additional context for each measure.

PSC's Performance Goals

Long Term Goal: Improve Quality – Provide quality administrative support so that high performance can be maintained in HHS Program Services. Demonstrate an increase in percent of customers expressing overall satisfaction with services.			
Annual Measure	**FY**	**Target**	**Result**
1.1. Achieve timeliness targets – Increase the percentage of services achieving timeliness targets (outcome)	*2009*	95%	Oct-09
	2008	95%	95%
	2007	95%	95%
	2006	95%	96%
	2005	100%	92%
	2004	Identified baseline[3]	91%
1.2. Achieve customer satisfaction targets –Increase the percentage of customers responding to PSC comment cards indicating excellent/good ratings for satisfaction of services (outcome)	*2009*	90%	Oct-09
	2008	90%	91%
	2007	90%	91%
	2006	90%	95%
	2005	100%	87%
	2004	88%	88%
1.3. Achieve timely billings – Increase the percentage of cost centers processing billings to coincide with service delivery (outcome)	*2009*	95%	Nov-09
	2008	95%	95%
	2007	Identified baseline	87%
Data Source: Measure 1.1 - Data on timeliness is tracked through internal cost center systems on a monthly basis; Measure 1. 2 - Customer satisfaction data is obtained through an electronic survey which is available 24/7 for customer input. In addition, hard copy comment cards are collected from customers as an alternative data collection mechanism. Measure 1.3 - Data obtained from the PSC Revenue, Invoicing, and Cost Estimation System (PRICES).			

[3] Each of these measures was initially tracked in FY 2004 to establish a baseline. Data is not available for the measures prior to FY 2004 except in rare cases. When the data is available, it has been included in the performance tables.

Data Validation: Measure 1.1 - Timeliness data is tracked by each cost center and is submitted to the PSC Business Office on a monthly basis by cost centers that are randomly sampled and tested for data verification. In FY 2008, the following data reflects percent of products and services meeting timeliness targets by Service Area: • Administrative Operations Service – 98% • Financial Management Service – 80% • Federal Occupational Health Service – 100% • Enterprise Support Service (formerly Human Resources Service) – 95% • Strategic Acquisition Service – 94% • Business Technology Optimization – N/A (Results included under AOS) Measure 1.2 - Customer satisfaction data is collected each month. Customers are asked to complete surveys at the time of services rendered. In addition, the online survey is available through the PSC website and in the signature of PSC employee emails. In FY 2008, 1,645 customers submitted surveys (an average of 137 per month). The following data reflects percent of customers satisfied or very satisfied by Service Area and the Office of the Director: • Administrative Operations Service – 90% • Financial Management Service – 90% • Federal Occupational Health Service – 92% • Enterprise Support Service (formerly Human Resources Service) – 90% • Strategic Acquisition Service – 90% • Business Technology Optimization – 100% • Office of the Director – 90% Measure 1.3 – Actual performance measured based on the monthly billing activity of cost centers.
Cross Reference: Achieve responsible stewardship and effective management.

PSC has a long term goal of improving quality of service delivery so that HHS OPDIVs may receive superior service while maintaining focus on their mission-related programs. There are three important measures that indicate quality of service – timeliness, customer satisfaction and timely billing.

Performance Measure 1.1 (Timeliness: Target met in FY 2008):

Timely service and responsiveness are critical elements that determine a customer's level of satisfaction with PSC. It is essential that an organization place a continued focus on maintaining and improving timeliness in order to maintain and improve the customers' perceptions of their service provider. PSC seeks to provide timely, accurate and efficient products and services to all customers through simplified, streamlined processes and procedures and through employing best business practices.

PSC measures the timeliness of service delivery against the timeliness performance standards established for each product and service listed in our comprehensive Directory of Products and Services. Service delivery is considered timely when the requested service is delivered to the customer in a prompt manner and within the time frame published for the timeliness performance standard for that product or service. An example of a timeliness performance standard is the following: "95% of medical express orders will be processed and shipped within 1 business day of order receipt". This timeliness performance standard applies to the pharmaceutical, medical, and dental supplies and services provided by the Supply Service Center under the Strategic Acquisition Service (SAS).

The target for each timeliness standard is set to achieve maximum customer satisfaction for timely delivery of products and services. In most cases, the timeliness targets are set at 95 to 100%. These standards exist in order to set expectations with the customer and to allow the customer to hold PSC accountable.

For Performance Measure 1.1, PSC tracks performance data to determine the percentage of its products and services that are achieving their individual timeliness standards. While these standards will be rolled up to the highest PSC level for reporting purposes, each Cost Center Manager of a product or service line is held responsible for meeting their goals. The responsibilities of a Cost Center Manager are assigned and documented under the Performance Management Appraisal Program (PMAP). Individual product and service lines results will be analyzed monthly and reviewed for problem resolution and tracked for improvement. PSC Business Operations (PBO) provides monthly training to the Cost Center Managers so that they can properly analyze the performance results of their respective products and services.

In analyzing our prior years' performance, it became apparent that some product and service timeliness targets were too aggressive and could not be met when external forces, which PSC could not control, came in to play. For example, from FY 2006 to FY 2008, PSC experienced volume spikes in the areas of personnel security and acquisitions that were not anticipated. An example of a timeliness performance target that was aggressive was from the Division of Acquisition Management: "All acquisition requirements will be completed within 15 days for less complex acquisitions and within 45 days for complex acquisitions." The FY 2008 performance target was 85% and this target was missed three months out of the fiscal year because of the overwhelming volume of acquisition requirements coupled with new employees in training. PSC monitored performance closely on a month to month basis to ensure optimum performance was achieved to meet our customers' needs. As a result of this effort, PSC achieved the FY 2006, FY 2007 and FY 2008 targets for timeliness of service delivery.

For FY 2006, PSC tracked 117 individual timeliness standards for 61 products and services. The performance results demonstrate that PSC met timeliness standards 96% of the time, thus exceeding the target of 95%. For FY 2007, PSC tracked 150 individual timeliness standards for 82 products and services. The performance results for FY 2007 were timely 95% of the time, thus PSC achieved the target of 95%. For FY 2008, PSC tracked 156 individual timeliness standards for 71 products and services. There were less products and services in FY 2008 compared to FY 2007 because of cost center consolidations by the CASUs and realignment of the products and services provided by the Enterprise Support Service (ESS). In FY 2008, the performance results were also timely 95% of the time, thus PSC achieved the target of 95%.

Looking towards FY 2009, the target for Performance Measure 1.1 will remain constant at 95%. PSC will continue to analyze the targets established for each product and service to ensure that appropriate yet challenging targets are established. In addition, we will continue to evaluate ways to improve the effects of external forces on our business as well as to cost effectively plan to address these situations as they arise. With this approach, it is expected that PSC, as a whole, will be able to continue to achieve the timeliness standards at least 95% of the time in upcoming years.

Performance Measure 1.2 (Customer Satisfaction: Target exceeded in FY 2008):

The other factor in measuring quality is overall customer satisfaction. PSC has placed great emphasis on providing quality, value-added services to all customers through reengineered processes and procedures, management and employee attention to quality, and through employing best business practices. PSC will measure the perceived quality of its service delivery as the percentage of customers expressing overall satisfaction with the quality of services provided. When PSC's customers are satisfied with products and services they are receiving, it allows them to keep focus on their core mission.

Additionally, it is important for PSC to track customer satisfaction because the higher the satisfaction ratings, the more likely customers are going to continue purchasing PSC products and services. This has an overall affect on price per service in that the total cost of the service is being spread over a larger customer base, thus reducing the price per unit. It is clear that customer satisfaction has a direct relationship not only to quality, but also to price for customers.

The customer satisfaction measure defines quality as those customers who are highly satisfied with overall service. PSC encourages customers to complete an on-line survey upon delivery of products and services and makes the survey available on PSC's website. Survey responses are collected and analyzed on a monthly basis to arrive at the customer satisfaction rating. The monthly performance results are distributed to the cost center managers to resolve issues and to the monitor the performance of their respective areas.

As a result of prior years' performance and in an effort to create an attainable yet challenging target, the FY 2006 target was set for 90% of customers to be satisfied with PSC services. For FY 2006, 1,771 customers completed the PSC On-line Customer Survey with a resulting customer satisfaction rating of 95% based on a four point scale, thus exceeding the target of 90%. In addition, the customer satisfaction rating for each Service Area within PSC exceeded the 90% target.

The following table displays the customer satisfaction results by Service Area in FY 2007.

FY 2007 Overall Satisfaction Ratings (# of Comments)	AOS	BTO	FMS	FOHS	ESS	SAS	PSC Overall

FY 2007 Overall Satisfaction Ratings (# of Comments)	AOS	BTO	FMS	FOHS	ESS	SAS	PSC Overall
Very Satisfied	472	1	199	139	108	271	1,190
Satisfied	53	3	35	46	19	34	190
Dissatisfied	14	0	17	6	2	3	42
Very Dissatisfied	30	0	36	11	5	3	85
Total	569	4	287	202	134	311	1,507
Percentage of Customers Very Satisfied and Satisfied	92%	100%	82%	92%	95%	98%	91%

The results for customer satisfaction in FY 2007, demonstrated that 1,507 customers completed the PSC On-line Customer Survey with a resulting customer satisfaction rating of 91% based on a four point scale, thus PSC achieved the target of 90%. In addition, all but one Service Area within the PSC exceeded the 90% target for customer satisfaction rating. FMS is the one Service Area that did not meet the target. The lower customer satisfaction results could be contributed to the implementation and stabilization of UFMS. While this type of effect could be expected under the circumstances, both PSC and FMS leadership are continuously monitoring the results and working to resolve issues that may contribute to the lower customer satisfaction ratings.
The lower customer satisfaction of 91% in FY 2007 as compared to 95% in FY 2006 could be attributed to the PSC-wide buyout in January 2007 that resulted in the loss of 35 employees and their institutional knowledge and customer service skills. This decrease in staffing and the lapse in hiring reduced the quality of service provided by PSC.

The decrease from FY 2006 to FY 2007 in the number of customers completing the on-line survey was due to less than active promotion of the comment cards and the feedback from some customers that some of the questions were unclear.

In FY 2007 due to staff turnover and staffing shortages, PSC was not able to update the questions in the comment cards and was not able to implement the initiative related to dissatisfied customers.

In FY 2008, the questions in the comment cards were updated and modified to be more relevant to customer requirements and easier to understand.   Questions specific to the Information Technology Operations were also added so that management would be aware of items applicable only to ITO.

The PSC initiative related to Dissatisfied Customers was implemented in FY 2008. For each dissatisfied comment related to a certain product or service documented in the monthly Customer Satisfaction report, the Cost Center Manager is required to complete a

Comment Card Feedback Form to provide the issue that caused the unfavorable rating and the corrective action plan taken to resolve the issue.

The following table displays the customer satisfaction results by Service Area in FY 2008.

FY 2008 Overall Satisfaction Ratings (# of Comments)	AOS	BTO	FMS	FOH	ESS	SAS	OD	PSC Overall
Very Satisfied	522	6	204	185	167	159	30	1,273
Satisfied	80	4	33	71	21	8	14	231
Dissatisfied	24	0	7	11	8	2	2	54
Very Dissatisfied	40	0	17	10	12	5	3	87
Total	666	10	261	277	208	174	49	1,645
Percentage of Customers Very Satisfied and Satisfied	90%	100%	91%	92%	90%	96%	90%	91%

The results for customer satisfaction in FY 2008 , demonstrated that 1,645 customers completed the PSC On-line Customer Survey with a resulting customer satisfaction rating of 91% based on a four point scale, thus PSC achieved the target of 90%. In addition, all Service Areas and the Office of the Director (OD) within the PSC exceeded the 90% target for customer satisfaction rating.

In FY 2008, PSC implemented a Customer Feedback Form related to dissatisfied customers. Each Service Area or Cost Center have to fill up a Customer Feedback Form for each dissatisfied comment providing the issues that caused the dissatisfied rating and the corrective actions taken to resolve the issue. This initiative reinforced PSC’s commitment to superior customer service.

Despite the success achieved in FY 2007 and FY 2008, FY 2009 target will remain constant at 90% due to the potential for customer satisfaction fluctuations arising from the recently implemented organizational realignment. Cost centers were moved from Financial Management Service (FMS), Administrative Operations Service (AOS) and Enterprise Support Service (ESS) to the newly-formed Information Systems and Management Service (ISMS).

Performance Measure 1.3 (Timely Billing: Target met in FY 2008):

In an effort to improve the quality of PSC service delivery, PSC established a new performance measure for FY 2008 that strives to achieve timely billings. As a fee-for-service organization, it is important for PSC to process its billings when services are rendered in order to collect revenue from its customers in a timely manner. This performance measure was under development during FY 2007 wherein 87% was established as the baseline. The 87% resulted from the cost centers billing on time 707 instances out of 815 actions in FY 2007.

Timely billing in PSC Revenue, Invoicing, and Cost Estimation System (PRICES) is affected by the prompt receipt of billing data from the service providers, availability of the related UFMS reports and the efficient set-up by the cost center managers for the customers' billing information in PRICES. Billing is considered timely when the invoices for the products and services of a certain cost center are entered by the Cost Center Manager into PRICES on or before the monthly cut-off date or deadline. For example, the cut-off date for entering December invoices is January 3rd, the Cost Center Manager completes his/her billing on December 12th, and thereby meeting the December billing deadline and his/her billing is considered timely.

In FY 2008, PSC achieved the target of 95%. By having a performance result of 95%, PSC was successful in achieving its intended outcome of increasing the percentage of cost centers processing billings to coincide with service delivery. The target will remain consistent for FY 2009.

Long Term Goal: Improve Cost Savings to HHS by Expanding Market Share– Improve annual costs per service to our customers accomplished by increasing the number of customers to spread overhead and fixed costs across, resulting in price control/reductions, especially if expanded market share occurs to outside customer agencies. Maintain or increase size of customer base over time.			
Annual Measure	**FY**	**Target**	**Result**
2.1. Increase percentage of new customers acquired annually (outcome)[4]	*2009*	2% increase over FY08	Oct-09
	2008	2% increase over FY07	4% (54 new customers)
	2007	2% increase over FY06	17.6% (189 new customers)
	2006	2% increase over FY04 (18 new customers)	22% (194 new customers)
	2005	5% increase over FY03 baseline (40 new customers)	29.4% (234 new customers)
	2004	Identified baseline	10.7%
Data Source: Measure 2.1_ - PSC maintains service level agreements with customers that track customers' purchasing behavior. In addition, data on the number of customers (established by billings) that the PSC support is maintained in the Customer Information section of the PSC Revenue, Invoicing, and Cost Estimation System (PRICES).			
Data Validation: Measure 2.1_ - Actual performance will be measured by the increase in the number of customers billed through PRICES.			

[4] The FY 2003 baseline was modified to include FOHS customers that have previously been excluded. As such all detailed targeted number of customers were changed. However, the targeted percentage increase remained the same.

Long Term Goal: Improve Cost Savings to HHS by Expanding Market Share– Improve annual costs per service to our customers accomplished by increasing the number of customers to spread overhead and fixed costs across, resulting in price control/reductions, especially if expanded market share occurs to outside customer agencies. Maintain or increase size of customer base over time.			
Annual Measure	**FY**	**Target**	**Result**
Cross Reference: Achieve responsible stewardship and effective management.			

The PSC seeks to expand its portion of the Federal shared services market in order to establish itself as the leader in shared services, benefit from economies of scale, achieve operational efficiencies, foster standardization, and free customers to focus on their core mission. As the shared services provider for HHS, it is essential that our prices be competitive and costs be controlled. To best serve our customers, we strive to identify ways that costs can be reduced and prices can be maintained and/or reduced.

One method of controlling price increases is through obtaining new Federal customers, not just internal customers in the Department, but especially external customers outside the Department. By doing this, the PSC can spread overhead costs to a greater number of work units; achieve economies of scale through volume buys, thus lowering the cost to customers. This is most effective when a greater portion of the expanded market includes external customer agencies, which has a direct effect on HHS customer agencies (i.e. total cost to the Department can be reduced)[5]. As a result, we must monitor our customer's usage of services (in addition to managing costs, which is discussed in the next series of performance goals). Before FY 2008, there were two measures utilized to track customer usage. The first measure is still being used to track the number of new customers who are not currently purchasing any services from the PSC.

The second measure, performance measure 2.2 (Existing Customers Obtaining New Services) which was a performance measure in FY 2007 was eliminated in FY 2008. This performance measure was utilized to track the number of existing customers who choose to purchase additional services. This measure was dropped for FY 2008 because PSC did not believe that it would significantly contribute to PSC's long term goal to improve cost savings.

Performance Measure 2.1 (Increase in Number of Customers: Target exceeded in FY 2008):

For this measure, the FY 2006 target was established before baseline data was available. As a result, PSC established a target of 2% growth over the FY 2004 baseline for FY 2006. The results for FY 2006 demonstrated that PSC exceeded its target for Performance Measure 2.1 by achieving a growth rate of 22%. The results could be attributed to the addition of two CASUs to PSC in October 2005. With the addition of

[5] While expanding the market is one component of the equation, the other component that has an overall affect on total HHS cost is actual cost of service delivery. It is only when market share AND total delivery costs are tracked that true savings to the Department can be determined.

the two CASUs to PSC's portfolio of business lines, PSC expanded its customer base. As a result of the market expansion achieved in FY 2006, the number of external customers has grown which will result in the ability to decrease costs in future years.

In FY 2007, PSC exceeded the goal of increasing its customers by 2% over the FY 2006 customer base. The FY 2007 result for this measure was 17.6% with an increase of 189 new customers. The bulk of the FY 2007 new customers were 29% from the Department of Defense (DOD), 12% were from Department of Labor (DOL) and 12% were from the Department of the Interior (DOI).

During FY 2008, PSC strived to increase its customers by 2% over the FY 2007 customer base. The FY 2008 result for this measure was 4% with an increase of 54 new customers. 87% of the FY 2008 new customers were new customers of the CASUs. The other new customers were earned by the Supply Support Center, Federal Occupational Health (FOH) Seattle and Division of Property Management. The bulk of the FY 2008 customers were 27% from DOD, 7% from the General Services Administration (GSA) and 3% from DOI.

For FY 2009, PSC has set a target of maintaining growth for the number of new customers at a rate of 2% over the prior year.

Long Term Goal: Improve Cost Savings to HHS through Asset Management – Improve annual costs per service to our customers captured by percentages of costs decreased, maintained and/or increased, including fiscal and human capital management.			
Annual Measure	**FY**	**Target**	**Result**
3.1. Participate in Department-wide consolidations (outcome)	*2009*	1 consolidation	Oct-09
	2008	1 consolidation	2 consolidations
	2007	1 consolidation	0 consolidations
	2006	--	--
	2005	--	--
	2004	--	--
3.2. Maintain PSC overhead costs (outcome)	*2009*	Maintain PSC overhead rate at 1.6% or less	Oct-09
	2008	Maintain PSC overhead rate at 1.6% or less	1.2%
	2007	Maintain PSC overhead rate at 1.6% or less	1.3%
	2006	Maintain PSC overhead rate at 1.3% or less	1.4%
	2005	10%	8%
	2004	Identified baseline	14%
3.3. Maintain percentage of revenue consumed by intra-service costs (outcome)	*2009*	Maintain 4% as the % of revenue consumed by intra-service costs	Oct-09
	2008	Maintain 4% as the % of revenue consumed by intra-service costs	5%
	2007	Achieve 4% as the % of revenue consumed by intra-service costs	4%

Long Term Goal: Improve Cost Savings to HHS through Asset Management – Improve annual costs per service to our customers captured by percentages of costs decreased, maintained and/or increased, including fiscal and human capital management.			
Annual Measure	**FY**	**Target**	**Result**
	2006	Reduce baseline amount of intra-service costs by 10%	+77%
	2005	Reduce baseline amount of intra-service costs by 17%	+10%
	2004	Identified baseline	$12,100,551 amount of intra-service costs
3.6. Achieve unqualified audit opinion for the SSF (outcome)	*2009*	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Dec-09
	2008	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Jan-09
	2007	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Not completed
	2006	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Not completed
	2005	Unqualified and no new	Unqualified audit opinion , 1 repeat MW, 1 RC down graded from 2004 MW, and 1 repeat RC
	2004	Identified baseline	Unqualified with 1 new MW, 1 repeat MW, and 1 repeat RC
3.4. Achieve overall increase in employee satisfaction PSC-wide (outcome)	*2009*	75%	Mar-10
	2008	75%	Mar-09
	2007	75%	58%
	2006	75%	61%
	2005	77%	Goal Not Measurable
	2004	--	68%

Data Source:
Measure 3.1a - Data will be obtained from the PSC Business Office who has responsibility for tracking participation in Department-wide consolidation efforts;
Measure 3.1b - Data will be obtained on the total estimated FTEs reported HHS-wide that were categorized as administrative in nature;
Measure 3.2 - Data will be obtained from the Cost Recovery Reports from PRICES;
Measure 3.3 - Data will be obtained from the billings by Customer Report and Cost Recovery Report in PRICES ;
Measure 3.6 - Data will be obtained from the annual audit of financial statements;

Long Term Goal: Improve Cost Savings to HHS through Asset Management – Improve annual costs per service to our customers captured by percentages of costs decreased, maintained and/or increased, including fiscal and human capital management.			
Annual Measure	**FY**	**Target**	**Result**
Measure 3.4 - Data will be obtained from the results of the annual human capital survey, i.e., Human Resource Management Index (HRMI) survey, Federal Human Capital Survey, or some equivalent survey.			
Data Validation: Measure 3.1a - Actual results will be presented based on ASAM approval of consolidation efforts; Measure 3.1b - Actual reductions will be calculated as the total administrative FTEs over the prior year; Measure 3.2 - Actual performance will be calculated as the percentage of total overhead costs to total costs; Measure 3.3 - Actual performance will be calculated as the percentage of total intra-service costs to total revenue; Measure 3.6 - Actual results will be identified in the annual financial audit performed by independent auditors; Measure 3.4 - Actual results will be based on the annual human capital survey.			
Cross Reference: Achieve responsible stewardship and effective management and improve financial performance.			

Two critical factors that influence a customer's decision to purchase services from the PSC are quality of the service and price. PSC's first three performance measures address methods for monitoring quality and customer satisfaction.

The previous two performance measures focus on monitoring volume of services purchased, which directly correlates to the price PSC charges its customers. The remaining performance measures also address factors that influence price; however, this set of measures focuses on overall cost of delivering the products and services. If PSC costs can be maintained or reduced and the volume of services purchased remains steady or increases, there will be a positive result for the customer (i.e. prices remain the same or decrease).

Performance Measure 3.1 (Department-wide Consolidations: Target exceeded in FY 2008):

This performance measure was established for FY 2007 and replaced a retired measure that previously tracked PSC's contributions to the Department's goal for a reduction in administrative staff. This measure is intended to track PSC's participation in Department-wide consolidations which will address the overall Department goal of reducing administrative costs.

In FY 2007, the PSC did not participate in a Department- wide consolidation.
In FY 2008, PSC participated in two Department-wide consolidations through HHS Consolidated Acquisition Solution (HCAS) and HSPD-12 Shared Biometric Enrollment and PIV Card Issuance Initiative. PSC participated in the Department-wide consolidation of acquisition systems.. There were two distinct ways in which this created administrative cost savings. First, by consolidating operations and maintenance activities for HCAS into one team, PSC was able to bring IHS onto HCAS without additional administrative staff. Additional HHS OPDIVs will be joining in this effort in FY 2009 without a requirement for additional administrative staff. In addition, cost savings have been achieved between

HCAS Operations and UFMS operations with respect to sharing and leveraging tools, processes, and infrastructure. This obviated the need for an additional FTE and achieved approximately $1.5M savings in contractor resources, $1.1M in savings in software tool costs, and $0.5M in server infrastructure.

PSC, in a calculated effort to reduce costs and minimize duplication of effort across HHS, has purchased and deployed 22 HSPD-12 mobile Biometric enrollment and 21 Personal Identity Verification (PIV) card issuance stations across the United States and affiliated US territories.. This enterprise offers OPDIV and STAFFDIV field offices the opportunity to enroll and be issued the new PIV card without having to procure, install and maintain expensive equipment, as well as staff the effort. These networked systems also eliminate the need for personnel to travel to their headquarters' offices for enrollment and PIV card issuance, saving time and money.

This effort achieved an approximate savings of $2.5M for the Department during its first eighteen months of operation. Additional savings and benefits should follow when other OPDIVs and STAFFDIVs choose to use Division of Security Services (DSES) at PSC as an HSPD-12 enrollment and issuance service provider. Currently NIH, NDMS, CMS, IHS, OMHA, and the OIG have signed memoranda of understanding governing provision of these services by PSC.

The target for FY 2009 is for PSC to participate in at least one consolidation. If, by working with other HHS components on consolidation initiatives, these other HHS components cease providing duplicate administrative services offered by the PSC as the Department's shared services provider, overall savings should be seen across the Department.

Performance Measure 3.2 (Overhead Costs: Target exceeded in FY 2008):

PSC recognizes that it must be prudent in controlling overhead costs (those not involved directly in the performance of our products and services). To achieve this outcome, PSC originally established a performance measure to reduce the resources consumed by overhead to the extent possible while still maintaining required internal support functions. As a result of a 40% reductions in overhead costs achieved during FY 2002 and FY 2004 as well as the performance results for FY 2005, PSC realized it could no longer continue to aggressively reduce overhead costs. Therefore, for FY 2006 the goal of reducing overhead for this performance measure was changed to a maintenance goal.

For FY 2006, PSC established a target of maintaining an overhead rate of 1.3% or less. The results indicate that the PSC overhead rate for FY 2006 was 1.4%. Although PSC came close, the results demonstrate that PSC was not able to achieve its target for FY 2006. The target was not met for this performance measure because the overhead costs increased as a result of PSC identifying and placing corporate costs where they appropriately belonged.

In FY 2006, PSC charged indirect costs sometimes to the business lines that had funding available. This practice made it very difficult to truly identify overhead costs. Personnel were sometimes charged just to a specific cost center instead of being charged as overhead costs to the entire PSC because of the functions that they performed. The PSC Executive Team (ET) decided that it would be more accurate and efficient to report and operate all overhead functions in a single office which was the PSC Office of the Director rather than the scattered approach that resulted in the FY 2006 target not being achieved. In addition, costs increased as a result of full implementation of PSC's communication initiative.

For FY 2007, PSC established a revised target of maintaining an overhead rate of 1.6% or less. This budgeted overhead rate increased slightly from the FY 2006 target due to inclusion of FTE and contractual costs into overhead that were previously supplemented by the PSC Service Areas. In addition, the increase included funds for upcoming business initiatives as well as increases related to oversight of competitive sourcing contracts. The FY 2007 results indicated that the actual overhead rate was 1.3% so that the FY 2007 target of 1.6% was achieved.

For FY 2008, PSC achieved a 1.2% performance result which achieved the FY 2008 target of 1.6%.

For FY 2009, the performance targets will remain to be the maintenance of an overhead rate of 1.6% because more personnel were centralized and moved to the PSC Office of the Director, thereby increasing the overhead costs.

Performance Measure 3.3 (Intra-service Costs: Target not met in FY 2008):

Another factor that influences overall cost is the amount of intra-service costs (the cost of PSC services provided by one PSC cost center to another PSC cost center). It is a performance measure that calculates the percentage of total intra-service costs to total revenue. Intra-service costs result in higher rates to our customers with little value added to their mission while still a valid cost of doing business. As a result, PSC seeks to carefully manage and reduce resources consumed by intra-service support to the extent possible while still maintaining required support functions. Reductions might take the form of identification of intra-service support more appropriately charged to customers, reduction in non-essential requests between Divisions/Service Units, and education of managers on prudent use of PSC's products and services. The rationale behind this metric is to improve buying behavior and to also capture lost revenue when two PSC offices are charging each other but never continuing with the next step, that of charging the customer.

On the other hand, revenues are the collections or payments received by PSC cost centers for products and services rendered. The total amounts of intra-service costs and total revenues are taken from the Cost Recovery Report (CRR).

PSC placed great emphasis on tracking and managing intra-service costs in FY 2003 and FY 2004 and established a baseline in FY 2004. In FY 2004, the amount of intra-service costs was $12,100,551 which became the baseline amount. In FY 2005, the goal was to reduce intra-service costs by 17% from the baseline amount of $12,100,551. In FY 2005, total intra-service costs were $13,313,127 so that the reduction in intra-service costs was calculated by first calculating the difference between the total intra-service costs for the current year and the intra-service costs for the prior year. In this case, it was $13,313,127 minus $12,100,551 which is equal to $1,212,576. Then, it was divided by the total intra-service costs from the prior year which was $12,100,551. When the reduction of intra-service costs was calculated, the result was an increase of intra-service costs of 10% instead of a reduction of 17%.

During FY 2006, the metric continued to be under development and was refined to reduction of intra-service costs by 10% over the prior year. In FY 2006, the total intra-service costs were $23,618,208 because of additional business and more cost centers. As a result, the intra-service costs increased by 77% as compared to the intra-service costs of the prior year which were $13,313,127. In FY 2006, the performance measure was finally refined so that in FY 2007, the measure would be the percentage of revenue consumed by intra-service costs so that the measure was tied to actual business process improvement. It was calculated by dividing the total intra-service costs incurred during the current year by the total revenue earned by PSC cost centers. In FY 2006, the revenue was $532,179,743 resulting in a 4.44% of revenue consumed by PSC Intra-service costs.

As a result of the performance in prior years, this measure was revised for FY 2007 to be a maintenance goal with a target of maintaining the percentage of revenue consumed by intra-service costs to 4%. This refined measure was based from the FY 2006 performance result of 4%. In FY 2007, the actual intra-service costs was $21,199,605 and the revenue was $535,880,420 resulting in 4% of revenue consumed by PSC intra-service costs that successfully achieved the 2007 target of 4%.

In prior years, PSC encountered some difficulties in properly articulating and measuring this performance measure. In the PSC's *FY 2009 Performance Budget Submission for the Office of Management and Budget*, the FY 2004 to FY 2006 results were reflected as the monetary amounts of the intra-service costs instead of the resulting percentage. The percentage of intra-service costs as compared to revenue is the more appropriate measure and the formula used in the calculations of the performance results in the PSC's *FY 2009 Justification of Estimates for Appropriations Committees.* PSC had dramatic increases in business over the past few years which accounted for the increase in intra-service costs.

In FY 2008, the actual intra-service costs was $32,129,559 and the revenue was $690,134,553 resulting in 5% (4.7% if not rounded), of revenue consumed by PSC intra-service costs which did not achieve the 2008 target of 4%. There were more intra-service costs spent than projected for the corresponding revenue collected. The variance between the projected intra-costs projected and the actual intra-service costs because the costing process was a year ago and the costs were not properly identified and aligned.

PSC is focused on educating managers on prudent use of PSC products and services in an effort to control operational costs and improve buying behavior. The target for FY 2009 is to maintain the 4.0% percentage of revenue consumed by intra-service costs which was the same target in FY 2008.

Performance Measure 3.4 (Employee Satisfaction: Result not yet available for FY 2008):

Studies have shown that there is a direct link between employee satisfaction, productivity, and customer satisfaction. As a result, it is essential that PSC monitor employee satisfaction levels because dips in satisfaction may result in lower levels of productivity, which then has a correlation to a potential increase in costs. PSC recognizes the importance of employee satisfaction with respect to the overall success of the organization.

To measure employee satisfaction levels, PSC relies on the results of the Department's annual human capital survey. PSC previously participated in the HHS-wide Human Resource Management Index (HRMI) Survey. For FY 2006, PSC set a target to achieve a 75% satisfaction rating. To measure achievement of this outcome, the PSC participated in the FY 2006 Federal Human Capital Survey that was conducted by the Office of Personnel Management. The results of the FY 2006 survey were released to PSC in March 2007 and demonstrated that 58% of PSC employees responded to the survey with an overall job satisfaction rating of 61%. Therefore, the FY 2006 target of 75% was not met.

The results of the FY 2007 survey were released to PSC in March 2008 and demonstrated that PSC employees who responded to the survey had an overall job satisfaction rating of 58%. Therefore, the FY 2007 target of 75% was not met. To address the outcome of the FY 2007 human capital survey, the PSC continued the implementation of the employee engagement program to communicate survey results and generate discussions over how to address negative results.

The annual communications survey conducted in FY 2008 revealed that the PSC eNews, which was implemented as an employee newsletter, was "Useful" or "Somewhat Useful" to 73% of the respondents. Feedback from the new hire orientation program revealed that knowledge of HHS, PSC and PSC Performance increased by 10%, 40% and 42% respectively. In addition, 51% of the attendees of the new hire orientation rated it as excellent and 58% felt that it was relevant, contained the right amount of detail, and prepared them to work in the PSC.

On the whole, the PSC Employee Communication Survey results showed many components of PSC communications are effective in providing useful and timely information to the PSC employee. The data also showed there are some areas that will require more attention. Those areas have been the focus of continuous improvement in the Communications Program which is an ongoing effort.

Moving forward, PSC expects to continue to measure employee satisfaction as a critical component of its performance management program. The target for 2009 remain at the 75% overall satisfaction rating. The FY 2008 results will be available in March 2009. In the meantime, PSC is taking action to address satisfaction issues and work to improve human capital processes. Measuring employee satisfaction coincides with the President's Management Agenda initiative for Strategic Management of Human Capital. In addition to using human capital survey results to measure employee satisfaction, previously PSC conducted a workforce analysis to assess existing human capital processes. Surveys were conducted that identified human capital areas that PSC will focus on improving and strengthening over the next few years.

As a result of the workforce analysis, PSC plans to improve human capital processes by focusing on human capital strategy, workforce planning and recruiting, knowledge management, career development, rewards and recognition, succession planning, work-life balance and change management. In FY 2006, PSC implemented its Individual Development Planning (IDP) Program to ensure that employees receive the training and other developmental opportunities they need to advance in their careers and to meet the PSC's mission requirements. The implementation of the IDP Program has been delayed by staffing shortages and failure of HHS University to implement the performance management module of the Saba Learning Management System.

PSC also implemented the Employee Awards and Recognition Program as a means to ensure that PSC managers are aware of their role in rewarding high performance and motivating their employees as well as the tools that are available to support them. PSC also provided work-life balance programs such as Alternative Work Schedules (AWS) and Child Care Subsidy which began on October 1, 2000. Lastly, PSC implemented its Succession Planning Program to ensure it is proactively planning for the loss of employees in mission critical positions. The Succession Planning Programs helps improve job satisfaction through mentoring and training that prepares personnel to be ready for the mission critical positions. In the end, these efforts will assist the PSC in achieving higher levels of satisfaction across the organization and help it achieve the targets for FY 2009.

Performance Measure 3.5 (Cost Recovery: Target not met in FY 2008):

Efficiency Measure	FY	Target	Result
3.5. Increase the percentage of cost centers recovering within an established variance and achieving target Net Operating Result (NOR). (outcome)	*2009*	75% of cost centers recover within an established variance	Oct-09
	2008	75% of cost centers recover within an established variance	61%
	2007	100%	60%
	2006	100%	62%
	2005	90%	62%
	2004	Identified baseline	58%
Data Source: Measure 3.5 - Data will be obtained from the Cost Recovery Reports from the PSC Revenue, Invoicing, and Cost Estimation System. These reports itemize the costs, including obligations and expenses; revenue; and percentage of cost recovery for each PSC cost center.			
Data Validation: Measure 3.5 – Cost recovery data is reviewed monthly to monitor and adjust performance as needed. Final results are determined at the end of the fiscal year and will be calculated as the percentage of all cost centers whose cost recovery is 100%.			
Cross Reference: Achieve responsible stewardship and effective management and improve financial performance.			

The Cost Recovery performance measure is one of several performance measures with a long-term objective of increasing cost savings to HHS through asset management. As a working capital fund, PSC must fully recover its operating costs with customer revenue at the agency level. However, in order to ensure that this rolled up information is being managed as effectively as possible, PSC also tracks this information at each individual cost center (product/service) level.

Each cost center identifies costs, develops rates/prices, and then revenue is collected at the cost center level. Cost recovery data is reviewed monthly to monitor and adjust performance as needed. Cost recoveries are measured by the Net Operating Results (NORs) which are the variances between revenues and obligations. If the revenues of a cost center are equal or more than its obligations, then that cost center fully recover its costs for that fiscal year. Final performance results are determined at the end of the fiscal year and the Cost Recovery performance measure is calculated as the percentage of all cost centers that fully recovered their costs.

The Cost Recovery performance measure enables PSC management to evaluate the performance, cost, and business results of each product line; identify problem areas; and take appropriate action. PSC monitors cost center performance with an expectation that all costs will be covered by revenue recognition.

During FY 2004 and FY 2005, PSC completed an analysis of most of its product lines and conducted extensive reengineering. As a result, PSC identified its core business products and expected all to be operating at the highest recovery levels for FY 2006. Therefore, PSC established targets for FY 2006 and FY 2007 that have 100% of cost centers achieving full cost recovery. The performance results for FY 2006 demonstrated that 62% of cost centers fully recovered costs thus the target was not met. While the results achieved for FY 2006 were below the target of 100%, organizationally PSC recovered 100% of its operating costs. The performance results for FY 2007 demonstrated that 60% of cost centers fully recovered costs thus the target was not met. While the results achieved for FY 2007 were below the target of 100%, organizationally PSC recovered 100% of its operating costs.

The performance results for FY 2008 demonstrated that 61% of cost centers fully recovered costs thus the target was not met. While the results achieved for FY 2008 were below the target of 100%, organizationally PSC recovered 100% of its operating costs.

Even though the performance result for FY 2007 was 60% and the performance result for FY 2008 was 61%, the number of cost centers that did not achieve the performance targets for two consecutive fiscal years was reduced from 10 or 22% to 7 or 11% of the total number of cost centers.

While PSC continues to strive for full cost recovery at the organizational level and cost center level each year, it realizes that unforeseen circumstances and business fluctuations may alter its operations during the course of the year. Therefore, PSC established its FY 2008 target to have 75% of its cost centers recover costs within an established variance. This new target will remain in effect for FY 2009.

Performance Goal 3.6 (Financial Audit: Result not yet available for FY 2008):

A key component in managing PSC's costs is to monitor its financial data and ensure that we meet financial reporting requirements. Achieving an unqualified audit opinion from independent auditors is a significant performance measure of how PSC implements management controls and maintains its financial records. Based on government-wide standards, PSC has adopted a measure that targets a clean, unqualified audit opinion.

Long Term Goal: Improve Cost Savings to HHS through Asset Management – Improve annual costs per service to our customers captured by percentages of costs decreased, maintained and/or increased, including fiscal and human capital management.			
Annual Measure	**FY**	**Target**	**Result**
3.6. Achieve unqualified audit opinion for the SSF (outcome)	*2009*	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Dec-09
	2008	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Jan-09
	2007	Unqualified audit	Not completed

Long Term Goal: Improve Cost Savings to HHS through Asset Management – Improve annual costs per service to our customers captured by percentages of costs decreased, maintained and/or increased, including fiscal and human capital management.			
Annual Measure	**FY**	**Target**	**Result**
		opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	
	2006	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Not completed
	2005	Unqualified and no new	Unqualified audit opinion , 1 repeat MW, 1 RC down graded from 2004 MW, and 1 repeat RC
	2004	Identified baseline	Unqualified with 1 new MW, 1 repeat MW, and 1 repeat RC
Data Source: Measure 3.6 - Data will be obtained from the annual audit of financial statements;			
Data Validation: Measure 3.6 - Actual results will be identified in the annual financial audit performed by independent auditors;			
Cross Reference: Achieve responsible stewardship and effective management and improve financial performance.			

The FY 2005 audit for the PSC was finalized in January 2007. As was previously reported, the audit report for FY 2005 indicates that PSC has received an unqualified audit opinion with one repeat material weakness (Financial Systems and Processes), one reportable condition (Internal Controls over Payroll) downgraded from an FY 2004 material weakness, and one repeat reportable condition (Information Technology Access and Security Controls). PSC improved the audit findings for FY 2005 as a result of better monitoring and increased internal controls by the Enterprise Support Service (formerly the Human Resources Service) which resulted in reducing the material weakness to a reportable condition for Internal Controls over Payroll.

For FY 2006, FY 2007 and FY 2008, PSC has set the goal of attaining an unqualified audit opinion with no new material weaknesses and no new reportable conditions identified.

In addition, PSC will track progress made in correcting any existing material weaknesses and reportable conditions. The FY 2006 and FY 2007 financial audits were not completed because some requested audit-related documents were not provided to the auditors. PSC expects to have the FY 2008 performance results in January 2009.

A decision was made to no longer have a PSC-specific audit and have a SSF-wide audit instead. The PSC is evaluating the future of this performance measure. The measure may be modified to present the PSC's performance result under the SSF-wide audit.

Program Performance Targets Exceeded or Not Met

Targets Substantially Exceeded

In FY 2008, there were 6 targets that were successfully achieved as indicated in the *Summary of Performance Targets and Results Table* but there was no target that was substantially exceeded.

The targets were ambitious and realistic based on historic trends and business fluctuations. On the Overhead Costs (Performance Measure 3.2), PSC adjusted the target in FY 2007 because the FY 2006 target was not achieved due to increased overhead costs resulting from correctly identifying and categorizing corporate costs. In FY 2009, the performance target remained the same because more personnel were moved to the Office of the Director, thereby increasing overhead costs. It will be difficult for PSC achieve the performance target if the percentage of the overhead costs to total costs is lowered.

PSC was consistently evaluating its targets to ensure that they better match program performance. For FY 2009, targets are set to ensure that they are ambitious and realistic for the applicable business processes. Based from the targets that were achieved, PSC reviewed its business processes and ensured that best business practices are reinforced and consistently applied by the various PSC activities.

Targets Substantially Not Met

In FY 2008, there were 2 targets that were not met as indicated in the *Summary of Performance Targets and Results Table*. Out of the 2 targets that were not met, only Cost Recovery (Performance Measure 3.5) was substantially not met. The FY 2008 performance target was 75% but the performance result was 61%.

The actual results for Cost Recovery were 58% for FY 2004, 62% for FY 2005, 62% for FY 2006 and 60% for FY 2007. Based from the prior years' results of more or less just 60%, the performance targets of 100% for FY 2006 and FY 2007 were too ambitious and unrealistic. For FY 2008 and FY 2009, PSC lowered its performance target to 75% from 90% during the FY 2009 Performance Budget Submission to the Office of Management and Budget. The target of 75% for FY 2009 is still ambitious based on the historic trend.

OPDIV/STAFFDIV-level Information

Discussion of PSC Strategic Plan

PSC's Strategic Plan for 2005-2009 serves as a road map to guide PSC in establishing goals for both the present and into the future. PSC's Strategic Plan is built around five goals, centered on the themes of customer service, workforce commitment, communication, resource management, and being the benchmark for the Federal shared services community. These themes reflect the PSC's mission, "to provide a full range of support services to HHS and other Federal Agencies, allowing them to focus on their core missions that serve the American public." Each goal is essential to producing high quality performance, low cost, high productivity, improved risk management, and continuous opportunities for improvement.

As the shared services provider for HHS, PSC's strategic goals are primarily aligned to support the Department's commitment to ensure that responsible stewardship and effective management are maintained to formulate, implement, and execute administrative support for its programs. This is accomplished through effective human capital management, information technology, and resource management. In addition, since services provided by the PSC enable the Operating Divisions (OPDIVs) and Staff Divisions (STAFFDIVs) to focus on the Department's mission to protect the health of all Americans and provide essential human services, PSC's strategic goals support the Department's strategic goals and objectives and the Secretary's Priorities from an administrative support perspective.

The following are the PSC's five strategic goals that provide the foundation to achieve responsible stewardship and effective management:

Customer Service: PSC will strive for excellence by achieving a reputation for customer service, improving customer relationships, developing a customer service oriented workforce, and achieving performance standards;

Workforce Commitment: PSC will strive for excellence by developing a skilled workforce, increasing workforce satisfaction, developing innovative recruitment techniques, rewarding high-performance, and fostering an environment of innovation and entrepreneurship;

Communication: PSC will strive for excellence by providing continuous and open communication with customers, communicating frequently and effectively with employees, and increasing workforce knowledge of PSC services;

Resource Management: PSC will strive for excellence by ensuring customer understanding of its costs and billings, maintaining competitive rates, achieving economies of scale, improving financial management, and limiting duplication of services Department-wide; and

Benchmark for the Federal Shared Services Community: PSC will strive for excellence by increasing awareness of PSC as a shared services provider for the Federal Government, increasing its customer base and opportunities for partnerships, applying best-business practices and operational processes, and integrating business and technology.

PSC's performance budget has been developed to enable PSC to achieve its strategic goals. This will result in the provision of high-quality and cost effective administrative support products and services to HHS in the areas of administrative operations, financial management, health resources, human resources, and strategic acquisitions. As a result, our customers can focus on their core business and mission efforts instead of producing the product or service on their own.

Link to HHS Strategic Plan

The following table displays the alignment of PSC strategic goals with the overall goals of HHS: [6]

	PSC Strategic Goals				
	Excellent Customer Service	Excellent Workforce	Excellent Communication	Excellent Resource Management	Benchmark for the Federal Shared Services Community
HHS Strategic Goals					
Goal 1: Health Care - Improve the safety, quality, affordability and accessibility of health care, including behavioral health care and long-term care.					
1.1 Broaden health insurance and long-term care coverage.	X	X	X	X	X
1.2 Increase health care service availability and accessibility.	X	X	X	X	X
1.3 Improve health care quality, safety, cost and value.	X	X	X	X	X
1.4 Recruit, develop and retain a competent health care workforce.	X	X	X	X	X
Goal 2: Public Health Promotion and Protection, Disease Prevention, and Emergency Preparedness - Prevent and control disease, injury, illness and disability across the lifespan, and protect the public from infectious, occupational, environmental and terrorist threats.					
2.1 Prevent the spread of infectious diseases.	X	X	X	X	X
2.2 Protect the public against injuries and environmental threats.	X	X	X	X	X
2.3 Promote and encourage preventive health care, including mental health, lifelong healthy behaviors and recovery.	X	X	X	X	X
2.4 Prepare for and respond to natural and man-made disasters.	X	X	X	X	X
Goal 3: Human Services - Promote the economic and social well-being of individuals, families and communities.					
3.1 Promote the economic independence and social well-being of individuals and families across the lifespan.	X	X	X	X	X
3.2 Protect the safety and foster the well-being of children and youth.	X	X	X	X	X
3.3 Encourage the development of strong, healthy and supportive communities.	X	X	X	X	X
3.4 Address the needs, strengths and abilities of vulnerable populations.	X	X	X	X	X
Goal 4: Scientific Research and Development - Advance scientific and biomedical research and development related to health and human services.					
4.1 Strengthen the pool of qualified health and behavioral science researchers.	X	X	X	X	X

[6] As the shared service provider for HHS, the strategic goals of the PSC are not directly linked to the strategic goals of HHS; rather they are aligned with the Department's commitment to responsible stewardship and effective management.

	PSC Strategic Goals				
	Excellent Customer Service	Excellent Workforce	Excellent Communication	Excellent Resource Management	Benchmark for the Federal Shared Services Community
HHS Strategic Goals					
4.2 Increase basic scientific knowledge to improve human health and development.	X	X	X	X	X
4.3 Conduct and oversee applied research to improve health and well-being.	X	X	X	X	X
4.4 Communicate and transfer research results into clinical, public health and human service practice.	X	X	X	X	X

List of Program Evaluations

As the shared services provider for the Department, PSC's mission is to assist and enable HHS to focus on its core mission of enhancing the health and well being of all Americans through the provision of centralized, qualitative administrative support for goods and services.

Due to this, PSC's activities are administrative in nature and are not programs.

Program evaluations apply to programs that have undergone PARTs. The PSC has no program evaluations to report.

Information on Use of Non-parties

There is no contribution from non-Federal entity in preparing the FY 2008 APR..

Data Source and Validation

Data validation improves transparency and shows whether performance measures in the Outcomes & Output Tables on page 7 and which are discussed in detail in the performance narrative actually measure the goals or objectives they are intended to measure and are therefore a useful guide for program management and policy making.

Program Support Center		
Measure Unique Identifier	**Data Source**	**Data Validation**
1.1	Data on timeliness is tracked through internal cost center systems on a monthly basis	Timeliness data is tracked by each cost center and is submitted to the PSC Business Office on a monthly basis by cost centers that are randomly sampled and tested for data verification.
1.2	Customer satisfaction data is obtained through an electronic survey which is available 24/7 for customer input. In addition, hard copy comment cards are collected from customers as an alternative data collection mechanism.	- Customer satisfaction data is collected each month. Customers are asked to complete surveys at the time of services rendered. In addition, the online survey is available through the PSC website and in the signature of PSC employee emails.
1.3	Data obtained from the PSC Revenue, Invoicing, and Cost Estimation System (PRICES).	Actual performance measured based on the monthly billing activity of cost centers.
2.1	PSC maintains service level agreements with customers that track customers' purchasing behavior. In addition, data on the number of customers (established by billings) that the PSC support is maintained in the Customer Information section of PRICES.	Actual performance will be measured by the increase in the number of customers billed through PRICES.
3.1	Data will be obtained from the PSC Business Office who has responsibility for tracking participation in Department-wide consolidation efforts. Data will also be obtained on the total estimated FTEs reported HHS-wide that were categorized as administrative in nature.	Actual results will be presented based on ASAM approval of consolidation efforts. Actual reductions will be calculated as the total administrative FTEs over the prior year.
3.2	Data will be obtained from the Cost Recovery Reports from PRICES.	Actual performance will be calculated as the percentage of total overhead costs to total costs.

Program Support Center		
Measure Unique Identifier	**Data Source**	**Data Validation**
3.3	Data will be obtained from the billings by Customer Report and Cost Recovery Report in PRICES.	Actual performance will be calculated as the percentage of total intra-service costs to total revenue.
3.4	Data will be obtained from the results of the annual human capital survey, i.e., Human Resource Management Index (HRMI) survey, Federal Human Capital Survey, or some equivalent survey.	Actual results will be based on the annual human capital survey.
3.5	Data will be obtained from the Cost Recovery Reports from the PSC Revenue, Invoicing, and Cost Estimation System. These reports itemize the costs, including obligations and expenses; revenue; and percentage of cost recovery for each PSC cost center.	Cost recovery data is reviewed monthly to monitor and adjust performance as needed. Final results are determined at the end of the fiscal year and will be calculated as the percentage of all cost centers whose cost recovery is 100%.
3.6	Data will be obtained from the annual audit of financial statements.	Actual results will be identified in the annual financial audit performed by independent auditors