



OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Audit Report

Using the Program Assessment Rating Tool as a Management Control Process

Report No. 2007-P-00033

September 12, 2007

Report Contributors:

Rae Donaldson
Bettye Bell-Daniel
Gloria Taylor-Upshaw
Dwayne Crawford
Steve Burbank
Patrick Gilbride

Abbreviations

EPA	U.S. Environmental Protection Agency
OIG	Office of Inspector General
OMB	Office of Management and Budget
PART	Program Assessment Rating Tool



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

To examine management controls, we reviewed the U.S. Environmental Protection Agency's (EPA's) performance using the Office of Management and Budget's Program Assessment Rating Tool (PART). We specifically sought to determine (1) how EPA scored overall, and (2) if there are areas that require management attention.

Background

PART is a diagnostic tool designed to assess the management and performance of Federal programs. It is used to evaluate a program's overall effectiveness and drive a focus on program results. PART examines performance in four programmatic areas:

1. Program Purpose and Design
2. Strategic Planning
3. Program Management
4. Program Results/Accountability

For further information, contact our Office of Congressional and Public Liaison at (202) 566-2391.

To view the full report, click on the following link:
www.epa.gov/oig/reports/2007/20070912-2007-P-00033.pdf

Using the Program Assessment Rating Tool as a Management Control Process

What We Found

PART is a good diagnostic tool and management control process to assess program performance and focus on achieving results. However, as currently designed, programs can be rated "adequate" with a PART score of just 50 percent. As a result, EPA programs with low scores in the Program Results/Accountability section are receiving overall passing or adequate scores. This heightens the risk that actual program results may not be achieved, and detracts from PART's overall focus on program results.

Currently, EPA does not have a management control organizational element with overall responsibility for conducting program evaluations. Also, EPA has not allocated sufficient resources to conduct evaluations on a broad scale. PART results show that for nearly 60 percent of its programs, EPA did not conduct independent evaluations of sufficient scope and quality on a regular basis to evaluate program effectiveness and support program improvements. With the difficulty EPA faces in measuring results, coupled with the absence of regular program evaluations, there is a heightened risk that programs may not be achieving their intended results.

What We Recommend

We recommend that the Office of Management and Budget (OMB) modify the Performance Improvement Initiative criteria to provide an ongoing incentive for program managers to raise Program Results/Accountability PART scores. We also recommend that OMB increase the transparency of PART results scores to demonstrate the relationship between results scores and the overall PART ratings. OMB provided oral and written comments on an earlier discussion draft of the report. Their comments were incorporated into this report. OMB did not provide a written response to the official draft report.

We recommend that the EPA Deputy Administrator increase the use of program evaluation to improve program performance by establishing policy/procedures requiring program evaluations of EPA's programs. We also recommend that the Deputy Administrator designate a senior Agency official responsible for conducting and supporting program evaluations, and allocate sufficient funds/resources to conduct systematic evaluations on a regular basis. On August 23, 2007, EPA responded that it agreed with the recommendations.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

September 12, 2007

MEMORANDUM

SUBJECT: Using the Program Assessment Rating Tool as a
Management Control Process
Report No. 2007-P-00033

FROM: Melissa M. Heist
Assistant Inspector General for Audit

Melissa M. Heist

TO: Marcus Peacock
Deputy Administrator

Robert Shea
Counselor to the Office of Management and Budget
Deputy Director for Management

This is our audit report on using the Program Assessment Rating Tool as a management control process. This report contains findings that describe the problems the Office of Inspector General (OIG) has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The estimated cost of this project – calculated by multiplying the project's staff days by the applicable daily full cost billing rates in effect at the time is – \$684,025.

Action Required

In accordance with EPA Manual 2750, the Deputy Administrator is required to provide a written response to this report within 90 calendar days. The Deputy Administrator should coordinate his response with the Office of Management and Budget. The Deputy Administrator should include a corrective actions plan for agreed upon actions, including milestone dates. We have no objections to the further release of this report to the public. This report will be available at <http://www.epa.gov/oig>.

If you or your staff have any questions, please contact me at 202-566-0899 or Heist.Melissa@epa.gov, or Patrick Gilbride at 303-312-6969 or Gilbride.Patrick@epa.gov.

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Purpose

As part of our examination of management controls, we reviewed the U.S. Environmental Protection Agency's (EPA's) performance using the Office of Management and Budget's (OMB's) Program Assessment Rating Tool (PART) process. We specifically sought to determine (1) how EPA scored overall and (2) if there are areas that require management attention. Details on our scope and methodology are in Appendix A.

Background

PART is a diagnostic tool used to assess the performance of Federal programs and drive improvements in program performance. Once completed, PART reviews help inform budget decisions and identify other actions to improve results. Agencies are held accountable for implementing PART followup actions, also known as improvement plans, for each of their programs. PART is designed to provide a consistent approach to assessing and rating programs across the Federal Government. PART assessments review overall program effectiveness, from how well a program is designed to how well it is implemented and what results it achieves.

PART is central to the Administration's Budget and Performance Integration Initiative (now known as the Performance Improvement Initiative), as its purpose is to drive a sustained focus on results. The initiative rates various aspects of Government performance using a color-coded scale of green, yellow, and red to indicate both progress and performance. The program rating indicates how well a program is performing so that the public can see how effectively tax dollars are used. To earn a high PART rating, a program must use performance data to manage and justify its resource requests based on the performance it expects to achieve.

PART assessments are conducted as collaborative efforts involving both Agency personnel and OMB examiners. Within EPA, the Office of the Chief Financial Officer is the lead coordinator, with each program office responsible for developing and submitting supporting documentation to respond to the PART questions.

The methodology used to rate program performance should demonstrate the correlation between the four areas assessed:

1. Program Purpose and Design
2. Strategic Planning
3. Program Management
4. Program Results/Accountability

Noteworthy Achievements

To date there have been 51 EPA programs assessed using the PART process. EPA has received relatively high scores in the first three PART categories – Program Purpose and Design, Strategic Planning, and Program Management (see Figure 1). Further, in areas where EPA has scored low, program improvement plans have been developed to help raise the ratings in the future. PART results show Agency progress in developing performance measures as

demonstrated by the reduction from 17 programs to 3 programs with ratings of Results Not Demonstrated.

Figure 1

Scores for First Three PART Categories	
Category	Average Score
1. Program Purpose and Design	91%
2. Strategic Planning	69%
3. Program Management	82%

Source: OIG analysis of EPA and OMB data

According to the Office of the Chief Financial Officer, EPA has developed four strategic plans under the Government Performance and Results Act that show progress in developing outcome-based long-term measures, including baseline and target information. EPA’s strategic measurement framework of goals and objectives serves as the basis for the Agency’s annual performance plans and budgets. According to the Office of the Chief Financial Officer, the Agency has made considerable progress in integrating PART measures into budget documents. Over 60 percent of the measures in EPA’s Fiscal Year 2008 Annual Plan/Budget are PART annual measures. The Agency’s performance and accountability reports close the feedback loop by examining 4-year trend data of performance results against the planned targets identified in the annual plan/budget. This information is used to improve performance measures, adjust program strategies, and inform the next round of Agency planning, priority setting, and budgeting. Since its inception in 2002, the PART process, including its directives on followup actions, has increased the Agency’s attention and capacity to develop and improve performance measures and to examine results.

PART Scoring System Needs Improvement

PART is a good diagnostic tool and management control process to assess program performance and drive a focus on results. However, as currently designed, the overall score needed to receive a passing or “adequate” PART rating is set at 50 percent. As a result, many EPA programs are scoring low or “ineffective” in the Program Results/Accountability category of the PART yet receiving overall passing or adequate ratings. This heightens the risk that programs may not be achieving desired results. It also detracts from PART’s overall purpose of focusing on improved performance and program results.

While many factors contribute to program results, programs with a well-defined purpose and design and a carefully planned strategy (including goals, measures, and targets), coupled with good program management, should be able to demonstrate results and accountability for resources expended to achieve those results. In reviewing the individual category scores for EPA’s PART ratings, we found that while programs generally scored well in the first three categories (see Figure 1), only 24 percent of EPA’s programs received adequate or passing scores for the Program Results/Accountability category.

The answers to questions in each of the four PART categories result in a numerical score for that category ranging from 0 to 100 (with 100 being the best score). To ensure program results are viewed as a priority, a weighted scoring system is used and Program Results/Accountability is weighted as 50 percent of the overall score (see Figure 2).

Figure 2

Weighted Scoring	
1. Program Purpose/Design	20%
1. Strategic Planning	10%
2. Program Management	20%
3. Program Results/Accountability	50%

Source: OMB

Numerical scores for each category are then combined into one overall score and translated into a qualitative rating, as shown in Figure 3:

Figure 3

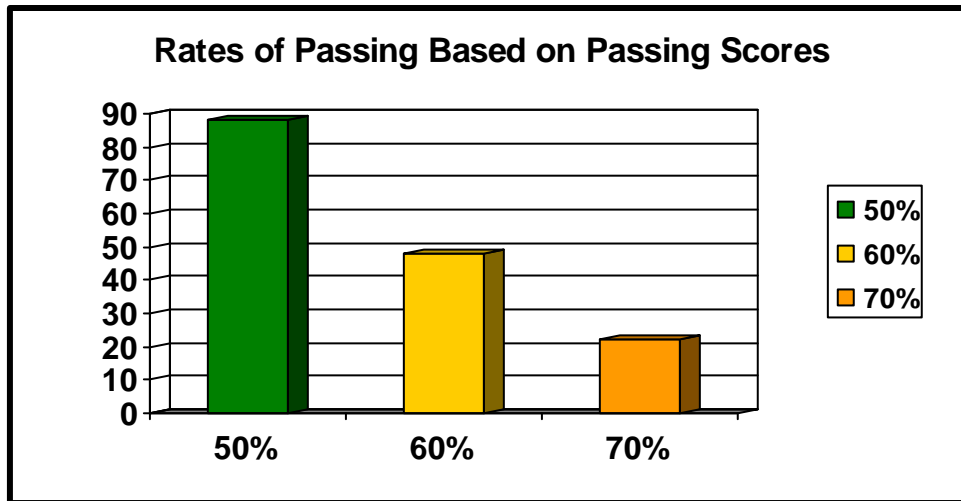
Qualitative Ratings and Scores	
Effective	85-100%
Moderately Effective	70-84 %
Adequate	50-69 %
Ineffective	0-49 %
Results Not Demonstrated	N/A

Source: OMB

A rating of Results Not Demonstrated is given when programs do not have acceptable long-term and annual performance measures, or when they lack baselines and performance data. Of the 51 EPA programs assessed, 17 were initially rated as Results Not Demonstrated. After program improvements were made, only 3 programs remain with an overall rating of Results Not Demonstrated.

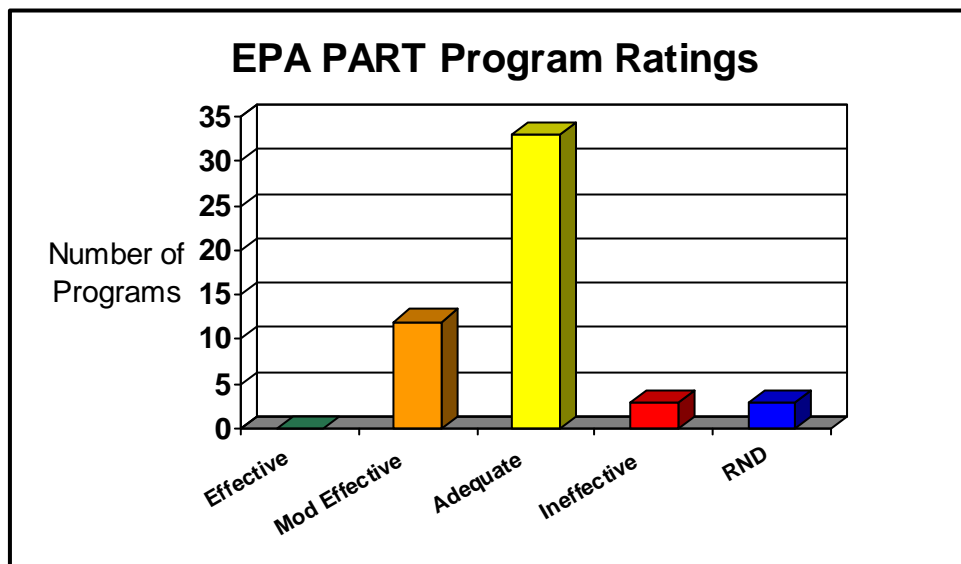
As shown in Figures 4 and 5, with 50 percent needed to achieve a passing or adequate rating, nearly 90 percent of EPA’s programs received moderately effective or adequate ratings. However, raising the passing percentage just 10 percentage points, to 60 percent, would cause over half of EPA’s programs to receive an ineffective rating. This shows that a number of EPA programs are just reaching the adequate mark. Nearly 80 percent of the programs would receive an ineffective rating if the passing percentage was raised to 70 percent.

Figure 4



Source: OIG analysis of EPA and OMB data

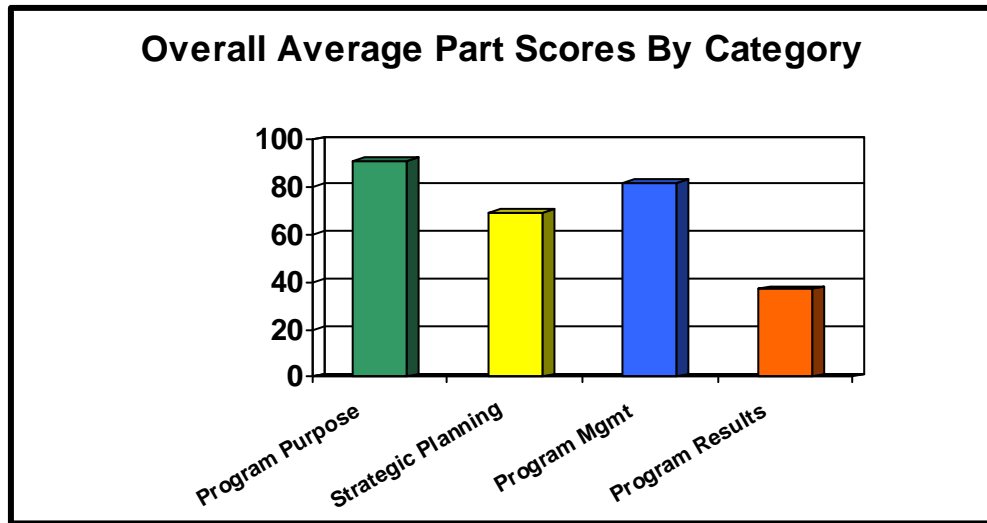
Figure 5



Source: OIG analysis of EPA and OMB data

As noted, EPA programs generally scored well in Program Purpose and Design, Strategic Planning, and Program Management, but did not score well in Program Results/Accountability. Programs with a well defined purpose and design and a carefully planned strategy (including goals, measures, and targets), coupled with good program management, should be able to demonstrate results. However, only 24 percent of EPA's programs received "adequate" or above scores in the Program Results/Accountability category. The average score in this category was 38 percent. Three programs were able to receive an overall adequate rating with a Program Results/Accountability score of only 16 percent.

Figure 6



Source: OIG analysis of EPA and OMB data

In total, only 12 of the 51 programs received a Program Results/Accountability score above 50 percent, yet nearly 90 percent of EPA’s programs received overall ratings of adequate or above. Consequently, PART may not provide an incentive to strive for high performance and program results. Further, the ability to receive an adequate overall score while scoring low in Program Results/Accountability detracts from PART's purpose of maintaining a focus on results.

We reviewed the PART questions in the Program Results/Accountability section to identify those that were most often answered “no.” As shown in Figure 7 below, 41 percent (21 out of 51) of the programs assessed reported that independent evaluations indicating whether the program is effective and achieving results were not performed.

Figure 7

PART Questions Most Often Answered “NO” for Program Results/Accountability	Number of Programs	Percentage of Programs
Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?	21	41%
Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?	13	25%
Has the program demonstrated adequate progress in achieving its long-term performance goals?	10	19%

Source: OIG analysis of EPA and OMB data

We also reviewed the responses to the questions in the Strategic Planning category and identified the following questions that were answered “no” most often:

Figure 8

PART Questions Most Often Answered “NO” for Strategic Planning	Number of Programs	Percentage of Programs
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?	30	59%
Are budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and the resource needs presented in a complete and transparent manner in the program's budget?	22	43%
Does the program have ambitious targets and timeframes for its long-term measures?	20	39%
Does the program have baselines and ambitious targets for annual measures?	16	31%
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?	16	31%

Source: OIG analysis of EPA and OMB data

Given EPA’s reliance on States and local governments for program implementation and reporting performance, we reviewed the responses to questions in the Program Management section and found that one question was most often answered “no”:

Figure 9

PART Questions Most Often Answered “NO” for Program Management	Number of Programs	Percentage of Programs
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?	21	41%

Source: OIG analysis of EPA and OMB data

The management control processes for an organization should include performance measures and targets for all programs, as well as the means to collect and monitor performance against expected/planned performance, to demonstrate results in relation to the resources expended. While EPA has made progress in developing measures, including short- and long-term targets as well as baselines from which to measure, the Agency needs to continue its efforts to gain increased commitment from its program partners to work toward these goals and provide assistance in gathering and reporting needed performance information.

Program Evaluation Could Help Improve Performance

One tool that could assist EPA in designing, developing, and gathering program performance information is program evaluation. PART results show that for nearly 60 percent of its

programs, EPA did not conduct independent evaluations of sufficient scope and quality on a regular basis or as needed to evaluate program effectiveness and support program improvements. Program evaluation results provide management with vital information on how well a program is designed and functioning to meet its intended objectives and goals (See Figure 8). Evaluation results can be used to track program progress toward achieving objectives and goals and can also be used to identify potential program improvements. Currently, EPA does not have a management control organizational element with overall responsibility for conducting program evaluations. Also, sufficient resources have not been allocated to conduct evaluations on a broad scale. As a result, management does not always have information needed on program performance.

While there are many similar definitions for program evaluation, OMB defines it as “an assessment, through objective measurement and systematic analysis, of the manner and extent to which Federal programs achieve intended objectives.” There are several types of evaluations that can be used during the development and execution of a program:

Development

- **Needs Assessment:** An examination and systematic appraisal of the nature and scope of the issue or problem to be addressed.
- **Formative Evaluation:** An examination and assessment of the likely success of a proposed program design or program activity to address a problem, generally conducted during planning or early in the implementation of a program.

Execution

- **Process Evaluation:** This form of evaluation assesses the extent to which a program is operating as it was intended. It typically assesses program activities’ conformance to statutory and regulatory requirements, program design, and professional standards or customer expectations.
- **Outcome Evaluation:** This form of evaluation assesses the extent to which a program achieves its outcome-oriented objectives. It focuses on outputs and outcomes (including unintended effects) to judge program effectiveness but may also assess program process to understand how outcomes are produced.
- **Impact Evaluation:** Impact evaluation is a form of outcome evaluation that assesses the net effect of a program by comparing program outcomes with an estimate of what would have happened in the absence of the program. This form of evaluation is employed when external factors are known to influence the program’s outcomes, in order to isolate the program’s contribution to achievement of its objectives.
- **Cost Benefit/Cost Effectiveness Analysis:** These analyses compare a program’s outputs or outcomes with the costs (resources expended) to produce them. When applied to existing programs, they are also considered a form of program evaluation. Cost-effectiveness analysis assesses the cost of meeting a single goal or objective and can be used to identify the least costly alternative for meeting that goal. Cost-benefit analysis aims to identify all relevant costs and benefits, usually expressed in dollar terms.

PART contains questions on the Agency’s use of program evaluation in both the Strategic Planning and Program Results/Accountability sections. Our review of the Agency’s 51 PART assessments found that the two questions related to program evaluation were answered “no” by more programs than any other PART questions (see Figure 10).

Figure 10

PART Questions Most Often Answered “NO”	Number of Programs	Percentage of Programs
Strategic Planning: 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?	30	59%
Program Results/Accountability: Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?	21	41%

Source: OIG analysis of OMB data

Until 1995, EPA maintained a program evaluation staff within the Office of Policy, Planning, and Evaluation. This office, including approximately 40 staff, conducted evaluations of Agency programs generally at the request of the Deputy Administrator. In 1995, the Agency underwent a reorganization that resulted in the office being disbanded.

In 2000, the Office of Policy, Economics, and Innovation established the Evaluation Support Division. The Agency regards the division as its center of expertise for program evaluation. However, the division has very limited staffing (six full-time equivalents). Therefore, it does not currently have the capacity to conduct systematic and regular evaluations of EPA’s programs. Rather, the division views itself as a capacity builder, assisting Agency programs in developing expertise that will enable program staff to conduct their own evaluations by:

- Providing leadership in fostering the use of program evaluations.
- Providing training in developing and refining performance measures.
- Assisting EPA program and regional offices in building capacity to conduct program evaluations.
- Conducting a limited number of evaluations of innovation projects or programs upon request.
- Funding a limited number of evaluations for program offices.

Currently, the Evaluation Support Division does not routinely perform evaluations of Agency programs. Evaluations that are taking place are initiated by EPA program managers and are generally conducted on an ad-hoc basis. We did not identify any systematic evaluation plans for program offices. We did find that EPA includes upcoming evaluations in its Strategic Plan and summarizes results in its Performance Accountability Report in accordance with the Government Performance and Results Act.

Barriers to Conducting Evaluation Noted

To better understand the reasons why EPA is not regularly conducting evaluations, we requested that the Director of EPA's Evaluation Support Division provide us with views on the barriers EPA faces to conducting evaluation on a broader scale. The Director provided the following:

Funding Limitations - Office of Policy, Economics, and Innovation estimates that, Agency-wide, EPA spends about \$1 million per year, or 0.01 to 0.03 percent of its budget, on program evaluations. Other Federal agencies and private organizations considered leaders in program evaluation designated more funds for evaluation through various means:

- Expected set-aside per project – Gates Foundation (15 percent), U.S. Agency for International Development (10 percent), European Union (8 percent).
- Statutory set-aside – U.S. Department of Health and Human Services budgets approximately 1 percent of its total budget, or about \$300 million, for evaluation.
- Separate evaluation budget – U.S. Department of Education budgets \$550 million, or approximately 1 percent of its total budget, for evaluation.

Lack of Internal Expertise - EPA needs more staff with the ability to oversee and manage independent, high-quality evaluations that produce evidence of effectiveness and/or guide decisions to improve effectiveness and results.

Lack of External Expertise - Currently, there is not a large community of knowledgeable and experienced evaluators for environmental programs.

Complexity of Measuring Long-Term Environmental Outcomes - Evaluations of environmental outcomes often require multi-year time horizons to determine a program's impact. Also, environmental programs present added challenges to measuring effectiveness in light of the need to link program outcomes to long-term changes in the environment and human health.

Current Need for Strategic Investment - Given limited resources, EPA must be "strategic" in selecting programs to evaluate and deciding when evaluations should be scheduled. Currently, EPA invests in program evaluation primarily as a means to identify solutions to identified problems.

Insufficient Data/Performance Measurement Information - The need for consistency across jurisdictions (e.g., States, tribes, and localities) adds complexity for data access and data quality. EPA's reliance on partners for data on program performance makes this a major challenge.

Evaluation Partnerships - Evaluation capacity at the Federal level often depends on the willingness of State and local agencies and other grantees to participate in evaluations and follow program evaluation protocols and standards. Many partners also face resource limitation, making it difficult to engage them to conduct evaluations.

While EPA has made progress in developing program performance measures, as demonstrated by the reduction in programs rated as Results Not Demonstrated, challenges remain. The OIG, the Government Accountability Office, and others have reported on the difficulties EPA faces in measuring and demonstrating program results. Establishing a management control organizational element with overall responsibility for conducting and supporting program evaluations on a systematic and regular basis would reinforce and complement ongoing Agency planning, budgeting, and accountability efforts in measuring and demonstrating performance results. To accomplish this, EPA will need to establish accountability for conducting evaluations and invest the resources needed to carry them out.

Recommendations

We recommend that the Office of Management and Budget:

1. Modify the Performance Improvement Initiative criteria to provide an ongoing incentive for program managers to raise Program Results/Accountability PART scores. This can be accomplished by designating a target percentage of programs that must achieve adequate or above scores in the PART results section in order to achieve a green rating.
2. Increase the transparency of PART results scores to demonstrate the relationship between results scores and the overall PART ratings.

We recommend that the EPA Deputy Administrator work with the Office of Policy, Economics, and Innovation to place a stronger emphasis on the use of program evaluation to improve program performance by:

3. Establishing policy/procedures requiring program evaluations of EPA's programs.
4. Designating a senior Agency official responsible for conducting and supporting program evaluations and developing a strategy to address the barriers EPA faces to conducting program evaluations.
5. Allocating sufficient funds/resources to conduct systematic program evaluations on a regular basis.

Agency and OMB Responses

The Agency agreed with our recommendations regarding program evaluation and has initiated actions to strengthen evaluation capability within EPA. The Office of the Administrator has proposed a reorganization of the Office of Policy, Economics, and Innovation that is designed to provide a more robust evaluation capability. As part of this reorganization, the Deputy Administrator envisions that the Office of Policy, Economics, and Innovation's Associate Administrator will take on a more explicit role in developing evaluation policy and guidance. Further, the Deputy envisions that his office will continue to improve its support to Headquarters and regional offices in implementing strategic investments in evaluation activities. The Agency recognizes that funding is critical to evaluation. However, it believes that developing a performance management culture where there is a substantial source of program evaluation

expertise internal and external to the Agency is currently the most important step to building a robust program evaluation capability. The full Agency response is in Appendix B.

The OMB provided oral and written comments on an earlier discussion draft of the report. OMB comments were incorporated into this report. However, OMB did not provide a written response to the official draft report.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
1	10	Modify the Performance Improvement Initiative criteria to provide an ongoing incentive for program managers to raise Program Results/Accountability PART scores. This can be accomplished by designating a target percentage of programs that must achieve adequate or above scores in the PART results section in order to achieve a green rating.	U	Office of Management and Budget			
2	10	Increase the transparency of PART results scores to demonstrate the relationship between results scores and the overall PART ratings.	U	Office of Management and Budget			
3	10	Work with the Office of Policy, Economics, and Innovation to place a stronger emphasis on the use of program evaluation to improve program performance by establishing policy/procedures requiring program evaluations of EPA's programs.	O	EPA Deputy Administrator			
4	10	Work with the Office of Policy, Economics, and Innovation to place a stronger emphasis on the use of program evaluation to improve program performance by designating a senior Agency official responsible for conducting and supporting program evaluations and developing a strategy to address the barriers EPA faces to conducting program evaluations.	O	EPA Deputy Administrator			
5	10	Work with the Office of Policy, Economics, and Innovation to place a stronger emphasis on the use of program evaluation to improve program performance by allocating sufficient funds/resources to conduct systematic program evaluations on a regular basis.	O	EPA Deputy Administrator			

¹ O = recommendation is open with agreed-to corrective actions pending
 C = recommendation is closed with all agreed-to actions completed
 U = recommendation is undecided with resolution efforts in progress

Scope and Methodology

To accomplish our objectives, we compiled and analyzed EPA's PART assessments for the 51 programs that have undergone assessments from 2003 through 2006. We reviewed the detailed assessment information publicly available from OMB in support of the ratings. We reviewed the scores achieved from the assessments and analyzed the scores for each of the four programmatic categories assessed. We discussed the PART process with the EPA PART Coordinator within EPA's Office of the Chief Financial Officer. We also met with EPA officials in the Office of Policy, Economics, and Innovation's ESD, and analyzed EPA processes for conducting program evaluations for Agency programs and operations. We did not verify the evaluation funding budget figures provided by ESD for other Federal and private concerns. We provided EPA and OMB with discussion draft reports and met with EPA and OMB officials to discuss the results. We conducted our field work from December 2006 through May 2007.

We reviewed prior EPA OIG and Government Accountability Office reports on EPA's evaluation efforts. We did not identify any prior audit work related specifically to the PART rating process.

We conducted our work in accordance with generally accepted government auditing standards, except that we did not review the automated controls over data contained in the OMB PART reporting system, as it was not necessary to accomplish our objectives. The standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Agency Response

MEMORANDUM

Subject: Comments on the OIG's Audit Report "Using the Program Assessment Rating Tool as a Management Control Process"

From: Brian Mannix
Associate Administrator
Office of Policy, Economics and Innovation

Lyons Gray
Chief Financial Officer
Office of the Chief Financial Officer

To: Melissa Heist
Assistant Inspector General

Thank you for the opportunity to provide comments on the Office of the Inspector General's Audit Report "Using the Program Assessment Rating Tool as a Management Control Process," (Assignment No. 2007-000520, July 13, 2007). We will respond to the recommendations concerning program evaluation that are made in the report. However, we will defer to the Office of Management and Budget to respond to the report's recommendations regarding potential modifications to the Budget and Performance Integration Initiative, now known as the Performance Improvement Initiative, and the management of the Program Assessment Rating Tool (PART).

As you know, the Environmental Protection Agency (EPA) is committed to working through EPA management and staff to improve how we use performance information to drive results throughout the Agency. The Agency recognizes that program evaluation is a critical component of this effort. We agree with the recommendations that you have made in the report regarding program evaluation. However, we would like to relay a few observations about the Agency's program evaluation activities. The Office of the Administrator has proposed a reorganization of the Office of Policy, Economics, and Innovation (OPEI) that is designed to provide increased support to the Agency priorities, including the development of a more robust evaluation capability. As part of this reorganization, Deputy Administrator Marcus Peacock expects OPEI's Associate Administrator to take on a more explicit leadership role in developing program evaluation policy and guidelines. Also, the Deputy Administrator expects OPEI to continue to improve its support to other Headquarters and Regional Offices in implementing their strategic investments in program evaluation activities.

More specific comments related to needed changes to factual content and report text is in the attached appendix. Thank you again for the opportunity to comment on this report.

cc: Marcus Peacock

APPENDIX: Comments Related to Changes in Factual Content and Other Recommended Changes

Following are specific corrections that we would like to see in the final report:

In the discussion of PART, we recommend the following changes:

- Background, Page 1 (paragraph 2)
Amend first sentence: “PART is central to the Administration’s Budget and Performance Integration Initiative, **now known as the Performance Improvement Initiative...**”
- Noteworthy Achievements, Page 1 (paragraph 1)
Add new last sentence: “**PART results show Agency progress in developing measures (e.g., 17 of the 51 programs were initially evaluated as Results Not Demonstrated; only 3 still have that designation.)**”
- **PART** Scoring System Needs Improvement, Page 6 (last paragraph)
Add new sentences after sentence 1: “The management control processes for an organization should include performance measures and targets for all programs, as well as the means to collect and monitor performance against expected/planned performance to demonstrate results in relation to the resources expended. Consistent **with the discussion on page 2, EPA has made progress in developing measures, including short- and long-term targets, as well as baselines from which to measure, as part of the Agency’s strategic and annual planning, budgeting and accountability processes. This progress is underscored by improved PART results.**”
Delete: “The results of EPA’s **PART** reviews demonstrate that EPA needs to continue its efforts to develop short- and long-term targets, as well as establish baselines from which to measure. They also show that EPA needs to gain increased commitment from its program partners to work toward these goals and provide assistance in gathering and reporting needed performance information once developed.”

In the “At A Glance” and in the main report on Pages 9, 10, and 11, OIG’s discussion of the Agency’s need to establish a management control organizational element with overall responsibility for conducting program evaluation on a systematic and regular basis should be modified to recognize the necessary role of the AAs and RAs in determining a strategic approach to program evaluation at the Agency. We recommend the following changes:

- At a Glance (last sentence)
Change: “We also recommend that the Deputy Administrator designate a senior Agency official responsible for conducting program evaluations...” To: “We also recommend that the Deputy Administrator designate a senior Agency official responsible for supporting **and** conducting program evaluations.

- Barriers to Conducting Evaluation Noted, Page 9 (first full paragraph) Change first sentence: “Measuring and demonstrating program performance and results has been a long-standing challenge for EPA.” To: **While EPA has made progress in measuring and demonstrating program performance and results, challenges remain.**

Delete third sentence: “As mentioned earlier, an organization’s management control process should include performance measures and targets for all programs, as well as the means to collect and monitor performance against expected/planned performance to demonstrate results in relation to the resources expended.”

Change fourth sentence: “Establishing a management control organizational element with overall responsibility for conducting program evaluation on a systematic and regular basis could assist EPA in meeting this challenge.” To:

“Establishing a management control organizational element with overall responsibility for **supporting and** conducting program evaluation on a systematic and regular basis **would reinforce and complement ongoing Agency planning, budgeting and accountability efforts in measuring and demonstrating performance results.**”

- Recommendation # 4, **Page 10**
Change: “Designating a senior Agency official responsible for conducting program evaluations and developing a strategy to address the barriers EPA faces to conducting program evaluations.” To: “Designating a senior Agency official responsible for **supporting and** conducting program evaluations and developing a strategy to address the barriers EPA faces to conducting program evaluations.”
- Status Table Recommendation # 4, Page 11
Change: “Work with the Office of Policy, Economics, and Innovation to place a stronger emphasis on the use of the program evaluation to improve program performance by designating a senior Agency official responsible for conducting program evaluations and developing a strategy to address the barriers EPA faces to conducting program evaluations.” To : “Work with the Office of Policy, Economics, and Innovation to place a stronger emphasis on the use of the program evaluation to improve program performance by designating a senior Agency official responsible for **supporting and** conducting program evaluations and developing a strategy to address the barriers EPA faces to conducting program evaluations.”

On Page 7 there is a list of several types of evaluations that can be used during the development and execution of a program. The list in the current draft of the report does not sufficiently recognize the types of program evaluation. We recommend that this list be clarified by acknowledging the difference between Ex-Ante and Ex-Post program evaluation, and that the list of ex-post program evaluation be expanded to include the four distinct types that are defined by the US Government Accountability Office (see GAO-05-7395P, May 2005, <http://www.gao.gov/new.items/d05739sp.pdf>). We recommend the following change to the list:

Ex Ante Program Evaluation

- **Needs Assessment:** An examination and systematic appraisal of the nature and scope of the issue or problem to be addressed.
- **Formative Evaluation:** An examination and assessment of the likely success of a proposed program design or program activity to address a problem, generally conducted during planning or early in the implementation of a program.

Ex Post Program Evaluation

- **Process (or Implementation) Evaluation:** An assessment of the extent to which a program is operating as it was intended. It typically assesses program activities' conformance to statutory and regulatory requirements, program design, and professional standards or customer expectations.
- **Outcome Evaluation:** An assessment of the extent to which a program achieves its outcome-oriented objectives. It focuses on outputs and outcomes (including unintended effects) to judge program effectiveness but may also assess program process to understand how outcomes are produced.
- **Impact Evaluation:** A high-level form of outcome evaluation that assesses the net effect of a program by comparing program outcomes with an estimate of what would have happened in the absence of the program. This form of evaluation is employed when external factors are known to influence the program's outcomes, in order to isolate the program's contribution to achievement of its objectives.
- **Cost-Benefit and Cost-Effectiveness Analyses:** These analyses compare a program's outputs or outcomes with the costs (resources expended) to produce them. When applied to existing programs, they are also considered a form of program evaluation. Cost-effectiveness analysis assesses the cost of meeting a single goal or objective and can be used to identify the least costly alternative for meeting that goal. Cost-benefit analysis aims to identify all relevant costs and benefits, usually expressed in dollar terms.

In the section "Barriers to Conducting Evaluation Noted" on Page 8, OIG lists the barriers to conducting program evaluation, which is based largely on input received from the Director of the Evaluation Support Division (ESD). However, as part of OIG's review, the auditors discussed evaluation with personnel from Government Accountability Office (GAO), National Science Foundation and Department of Defense to obtain information regarding the program evaluation function at other Federal agencies and then compared EPA's program evaluation function with other Federal agencies. The auditors also reviewed GAO reports about challenges to program evaluation in federal agencies. The discussion of the barriers should reflect that the information the ESD Director provided was consistent with information from these other sources. And it should be noted that the data regarding other Agencies' budgets for evaluation were based on information from presentations made by the other organizations' staff, but does not include additional research to independently verify the other organizations' numbers. Also, the Agency recognizes that funding is critical to program evaluation. However, the Agency believes that developing a performance management culture where we have a substantial source of program evaluation expertise internal and external to EPA is currently the most important step to building a robust program evaluation capability.

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