

# Government Performance & Results Act - 2004

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## **EXECUTIVE SUMMARY**

*We found that the GPRA performance measures in the Commission's Fiscal Year (FY) 2006 performance budget generally met OMB's requirements. However, of the 27 measures in the performance budget, six did not include required target data.*

*The Office of Financial Management (OFM) facilitated communication between office and division representatives responsible for selecting the Government Performance and Results Act (GPRA) performance measures. Also, OFM sought senior Commission management involvement in the process. These activities were recognized as "best practices" by the National Performance Review (NPR).*

*We are recommending that, in developing future performance measures, the Commission: ensure that the performance goals in its performance budget include targets, and consider using analyses of some Commission program processes to develop performance measures. Also, the Commission should consider using Enterprise Architecture (EA) output data generated by the Office of Information Technology (OIT) in developing its GPRA performance measures.*

## **SCOPE AND OBJECTIVES**

The audit objective was to determine whether the performance measures in the Commission's FY 2006 performance budget were developed in accordance with OMB guidance, were useful to management, and provided information on progress toward GPRA goals. We did not verify the supporting data for these measures. We addressed the supporting data in two previous GPRA audits.<sup>1</sup>

We reviewed the performance measures in the FY 2006 performance budget and the Commission's FY 2004-2009 Strategic Plan. The Commission considered the performance measures in the strategic plan to be "potential" measures. Consequently, we focused on the measures in the performance budget. Also, we followed up on the recommendations from our last GPRA audit (No. 329).

We reviewed the Government Performance and Results Act of 1993 (GPRA), Office of Management and Budget (OMB) GPRA guidance and reports from the Government Accountability Office (GAO) regarding implementation of GPRA and

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<sup>1</sup> OIG audits #283, dated March 16, 1999 and #329, dated March 29, 2002.

best practices. In addition, we interviewed Commission staff. We conducted the fieldwork between January and May 2005, in accordance with generally accepted government auditing standards.

## BACKGROUND

Congress passed the Government Performance and Results Act of 1993 (GPRA) to improve public confidence in the Federal Government. GPRA requires objective, verifiable, quantifiable and measurable program performance measures. Also, agencies must now prepare five-year strategic plans and annual performance budgets and reports. The performance budgets should link strategic and long-term performance goals from the strategic plan to annual performance goals.

The Office of Management and Budget (OMB) requires that performance measures in the budget follow the Program Assessment Rating Tool (PART) guidance. Measures should reflect program outcomes, inform budget and management decisions and include targets and baselines. These measures include outcome and output goals validated through OMB's agency program reviews using the PART.<sup>2</sup>

OMB defined the various categories of performance measures. For example, outcomes represent actions and changes, external to the program, often occurring in response to the program's outputs. "Intermediate outcomes" (*e.g.*, registrants add, change, or delete filing information) may be linked to a program's outputs (*e.g.*, comment letters). These intermediate outcomes result in broader outcomes (*e.g.*, compliance with disclosure rules), which, in turn, result in still broader outcomes (*e.g.*, compliance with securities laws).

While intermediate outcomes may be linked to outputs, broader outcomes may be more difficult to measure and link to outputs. For example, some outcomes take many years to achieve, other outcomes relate to conditions inherently difficult to measure such as policy objectives or deterrence/prevention goals.

Outputs represent the products of internal program activities. Because outputs are generally tangible, they are easier to measure. Also, because outputs result from internal activities, they may be linked to resources. Other categories of performance measures include inputs (resources) and efficiency (ratio of output to input) measures.

Not all Commission performance measures are required to be included in the GPRA reports. For example, GPRA reports do not include some performance measures used in the offices' and divisions' monthly "Dashboard" reports to the Chairman.<sup>3</sup>

The Commission, through the Office of Executive Director (OED), has overall responsibility for GPRA plans and reports. The Office of Financial Management

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<sup>2</sup> According to the Commission's FY 2004 Performance and Accountability Report (PAR) OMB began conducting PART reviews in the Commission in FY 2003, and has reviewed the Full Disclosure and Enforcement programs.

<sup>3</sup> Non-public "Dashboard" reports include information on Commission resources, activities and priorities by office and division.

(OFM) facilitates a GPRA team of representatives from the Commission's divisions and offices. OFM coordinates with the GPRA team to select the measures of key activities and priorities. OFM includes these measures in the GPRA plans and reports and forwards them to the Commission for approval as appropriate.

In the two previous GPRA audits, we recommended improvements in the supporting information for certain reported measures as well as improved alignment between mission, goals and measures in GPRA plans and reports. In response, Commission offices and divisions developed new performance measures, updated their databases, and revised the format of GPRA plans and reports.

## AUDIT RESULTS

We found that most (21 of 27, or approximately 78%) of the Commission's performance measures in its FY 2006 performance budget met OMB's requirements. Six measures did not include the required target information.

The Commission, in developing GPRA performance measures, sought senior Commission management involvement in the process and facilitated communication between office and division staff responsible for performance measurement. These actions are recognized as "best practices" in the National Performance Review's (NPR) guide to developing performance measures. Another best practice, process analysis, could help the Commission to further improve its measures.

We discuss these matters below.

### BASELINES AND TARGETS

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OMB's guidance requires baselines and targets for performance measures. Baseline data represent prior period activity. Targets represent desired activity levels. Agencies compare baseline data to actual activity in order to assess progress toward targets. Also, OMB, during its PART evaluations, looks for baseline and target data in agencies' performance measures.

Of the 27 measures included in the FY 2006 performance budget, three measures (11%) needed baseline data. These three measures were new. OMB does not require baseline data for new measures.

Moreover, six of the 27 measures did not include targets required by OMB guidance. These measures provide important information. These performance measures were:<sup>4</sup>

- The number/percent of examinations finding "significant" violations,
- The number of referrals to the Division of Enforcement from examination staff or the Division of Corporation Finance,
- The amount of monetary disgorgements and penalties ordered and the amounts/percentage collected by the SEC,

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<sup>4</sup> From FY 2006 performance budget

- The percentage of households owning mutual funds,
- The number of corporation and investment company disclosure filings “significantly” improved by staff comments, and number of “significant” actions taken by disclosure review staff to protect investment company shareholders, and
- The percentage of forms and submissions filed electronically and in a structured format.

Source: SEC Performance Budget for 2006.

The Commission stated in the performance budget that it would not use targets for these measures. However, the Commission should not include these measures in the GPRA plans if they feel that targets are inappropriate for them. These measures might be more useful for other purposes (*e.g.*, the Commission’s annual report, Congressional testimony, *etc.*).

One measure, percentage of forms filed electronically, was new for the performance budget and did not yet have data. There was no explanation in the performance budget of why the other five targets were missing. However, the Offices and Divisions told us that they did not want to develop targets for violations to find or penalties to assess.

### **Recommendation A**

OFM should coordinate with the appropriate offices or divisions to ensure that all the performance measures in the GPRA performance budget include appropriate targets.

## **ANALYZE PROCESSES**

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Process analysis, considered a performance measurement “best practice” by the NPR and the Government Accountability Office (GAO), enhances understanding of processes. These analyses may be used to identify performance measures and to streamline and improve processes before automating them. However, the offices and divisions did not use process analyses in developing their performance measures.

Two commonly used process analysis approaches include workflow diagrams and “logic models.” Workflow diagrams show the sequence of work steps, decisions, and flow of data in an activity. Logic models show relationships between inputs, activities, outputs and outcomes.

We recognize that process analyses can become time- and resource-intensive. However, a process analysis done on a pilot basis (*e.g.*, a high-level analysis of a selected process or activity) can provide useful information cost-effectively.

Also, OIT identified inputs and outputs as a result of function analyses related to its Enterprise Architecture (EA) effort. For example, OIT identified a number of documents produced as output by the Commission rulemaking functions. The divisions could consider how these documents help or hinder them in achieving their desired outcomes (*e.g.*, how the documents affect reaching rulemaking milestones),

and possibly develop measures as appropriate. However, it did not appear that the offices and divisions considered this data in developing performance measures.

### ***Recommendation B***

In developing future performance measures, as resources allow, the Division of Enforcement should consider selecting and analyzing a key activity on a pilot basis. If needed, it should obtain process analysis training and/or technical assistance.

### ***Recommendation C***

In developing future performance measures, as resources allow, the Division of Market Regulation should consider selecting and analyzing a key activity on a pilot basis. If needed, it should obtain process analysis training and/or technical assistance.

### ***Recommendation D***

In developing future performance measures, as resources allow, the Division of Corporation Finance should consider selecting and analyzing a key activity on a pilot basis. If needed, it should obtain process analysis training and/or technical assistance.

### ***Recommendation E***

In developing future performance measures, as resources allow, the Division of Investment Management should consider selecting and analyzing a key activity on a pilot basis. If needed, it should obtain process analysis training and/or technical assistance.

### ***Recommendation F***

In developing future performance measures, as resources allow, the Office of Compliance Inspections and Examinations should consider selecting and analyzing a key activity on a pilot basis. If needed, it should obtain process analysis training and/or technical assistance.

### ***Recommendation G***

In developing future performance measures, as resources allow, the Office of Human Resources should consider selecting and analyzing a key activity on a pilot basis. If needed, it should obtain process analysis training and/or technical assistance.

### ***Recommendation H***

In developing future performance measures, as resources allow, the Office of Information Technology should consider selecting and analyzing a key

activity on a pilot basis. If needed, it should obtain process analysis training and/or technical assistance.

***Recommendation I***

OFM, as resources allow, should consider requesting that the offices and divisions include consideration of applicable Enterprise Architecture function analysis data in developing future GPRA performance measures.