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June 17, 1998

The Honorable Benjamin A. Gilman
Chairman, Committee on International Relations
House of Representatives

Subject: The Results Act: Observations on the Department of State's Fiscal
Year 1999 Annual Performance Plan

Dear Mr. Chairman:

This letter responds to your request for our observations on the Department of State's annual performance plan for fiscal year 1999, which was submitted to Congress in February 1998. Our review of State's plan was based on a January 26, 1998, request by several Members of the House majority leadership for us to review the performance plans of the 24 federal agencies covered by the Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576).

The Government Performance and Results Act of 1993 (P.L. 103-62), commonly referred to as "GPRA" or "the Results Act," requires federal agencies to prepare annual performance plans covering the program activities set out in the agencies' budgets, beginning with plans for fiscal year 1999. These plans are to (1) establish performance goals to define levels of performance to be achieved; (2) express those goals in an objective, quantifiable, and measurable form; (3) briefly describe the operational processes, skills, and technology and the human, capital, information, or other resources required to meet the goals; (4) establish performance measures for assessing the progress toward or achievement of the goals; (5) provide a basis for comparing actual program results with the established goals; and (6) describe the means to be used to verify and validate measured values.

For purposes of our review, the six requirements of the Results Act for the annual performance plans were collapsed into three core questions: (1) To what extent does State's performance plan provide a clear picture of intended performance across the agency? (2) How well does State's performance plan discuss the strategies and resources it will use to achieve its performance goals? (3) To what extent does State's performance plan provide confidence that its performance information will be credible? These questions are

contained in our February 1998 congressional guide and our April 1998 evaluators' guide for assessing performance plans, which we used for our review.¹ These guides integrated criteria from the Results Act, its legislative history, the Office of Management and Budget's (OMB) guidance for developing performance plans (OMB Circular A-11, Part 2), a December 1997 letter to OMB from several congressional leaders, and other GAO guidance on implementation of the Results Act.² We used the criteria and questions contained in the guides to help us determine whether State's plan met the requirements of the act, identify strengths and weaknesses in the plan, and assess the plan's usefulness for executive branch and congressional decisionmakers. Other GAO products related to this issue are listed at the end of this letter.

We did our work from March 1998 through May 1998 in accordance with generally accepted government auditing standards.

RESULTS IN BRIEF

The Department of State's fiscal year 1999 annual performance plan generally falls short of meeting the Results Act's requirements. Specifically, State's plan does not clearly describe the agency's intended performance, the strategies and resources that will be used to achieve the performance goals, or how it will ensure credibility of the information used to assess agency performance.

State's plan does not provide a clear picture of the agency's intended performance. Many of the goals are broadly stated and extend beyond State's span of control so that assessing results would be difficult. For example, State's goal to expand U.S. exports by supporting the efforts of other U.S. government agencies does not clearly identify how State will meet the goal. The plan is also unclear as to how State will coordinate with other federal agencies or how related activities of other agencies will contribute to State's performance goal. In addition, the plan does not provide enough information to link State's activities identified in the President's budget with specific performance goals.

¹Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking (GAO/GGD/AIMD-10.1.18, Feb. 1998); and The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans (GGD-10.1.20, Apr. 1998).

²The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997); and Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenge (GAO/GGD-98-44, Jan. 30, 1998).

State's plan does not clearly describe how strategies and resources will help achieve the performance goals. The plan does not provide sufficient information on the strategies and external factors associated with achieving State's performance goals. Further, the plan provides little information on the resources required to achieve specific performance goals.

Finally, State's performance plan does not provide sufficient confidence that the agency's performance information will be credible. Specifically, the plan does not (1) discuss how State will verify and validate information used to assess its performance; (2) address how known deficiencies in State's financial and accounting, and information management systems will impact performance measurement; and (3) identify any significant data limitations that may affect the achievement of State's goals.

**STATE'S PERFORMANCE PLAN DOES NOT
PROVIDE A CLEAR PICTURE OF INTENDED
PERFORMANCE ACROSS THE AGENCY**

State's plan does not clearly define how performance goals are to be achieved or quantified nor does it provide for evaluating those achievements. While State's performance goals generally reflect State's mission and the strategic goals articulated in the agency's strategic plan, it does not describe how its program activities are linked to its performance goals and objectives. Further, the plan does not discuss State's efforts to coordinate its programs with other U.S. government agencies.

Defining Expected Performance

The Results Act requires an agency's annual performance plan to contain both a set of annual goals that establishes its intended performance and measures that can be used to assess progress toward achieving those goals. Many of State's performance goals are difficult to measure and not easy to quantify, such as State's goal to support other U.S. export promotion agencies in efforts to increase U.S. exports or to sustain bilateral and multilateral political and economic pressure on state sponsors of terrorism. Furthermore, State's performance goals often identify results over which State does not have a reasonable degree of control. For example, State's goal to use diplomatic efforts to contain regional conflicts and prevent the outbreak of hostilities or to obtain international consensus on measures to reduce the degradation of the global environment is influenced by factors outside State's control; therefore, attributing success or failure in achieving such objectives to State's performance will be exceedingly difficult.

OMB recommends that outcome goals be included in a performance plan whenever possible but recognizes that agencies will supplement outcome goals with output goals. Outcome goals focus on the results of a program activity compared to the intended purpose such as controlling how immigrants and foreign visitors enter and remain in the U.S. An output goal focuses on the tabulation, calculation, or recording of an activity or effort and can be expressed in a quantitative or qualitative manner, such as training 4,000 staff on how to use the new information technology applications. State's performance plan contains a combination of outcome and output goals. State tends to use outcome-oriented goals in areas where it is one of several agencies or organizations addressing an international affairs goal such as ensuring national security, furthering economic development, and minimizing international crime. State tends to utilize output measures in those areas that are more quantifiable and measurable such as enhancing diplomatic readiness and improving U.S. citizens' services. Assessing State's performance against the outcome goals is difficult because State has not clarified its role and what it expects to accomplish. The plan often discusses State's role to assist, lead, coordinate, and support various policy areas rather than specifically describing how State's activities and operations would help achieve actual outcomes. State's plan would be more helpful if State identified output goals to complement the current outcome-related performance goals.

The performance measures contained in the annual performance plan only partially indicate the level of progress made in achieving the agency's performance goals. Each goal has corresponding performance measures and indicators; however, in some cases, the measures merely repeat the goal and/or do not sufficiently capture key aspects of performance needed to measure performance. For example, the performance goal for stabilizing population growth is to "maintain a concerted, comprehensive, and coordinated international response to unsustainable population growth." The performance measure indicates State will achieve this goal if "there is a concerted, comprehensive, and coordinated international response to unsustainable population growth." The performance indicator for this goal is to identify (and presumably measure) donor and host country population and family planning budgets.

In some cases, State does not adequately define quantifiable measures to demonstrate expected results. For example, indicators to assess State's goal of issuing "passports in a timely and effective manner, with document integrity assured" includes (1) counting the number of passports issued, and (2) evaluating customer comments and survey results. State could quantify this goal by stating that "State will issue x percent of its passports in a timely (within 25 days from receipt of application) and effective (with less than x

percent defects) manner." This type of quantification would also provide a measure for establishing future baseline data. Establishing baseline data is important because many of the plan's measures and indicators refer to fiscal year 1997 baseline data, which State program offices are currently collecting.

An effective evaluation process is critical to determine the extent to which State is successfully achieving or helping to achieve goals and what actions may be necessary to help improve performance.³ State's performance plan would be considerably improved if it included supplemental measures regarding the extent to which State's activities are effective. First, State could establish some intermediate measures that would help clarify the extent to which State resources and activities contribute to broad international affairs goals. Second, in cases like State's, it may be important to supplement performance measurement data with impact evaluation studies to provide an accurate picture of program effectiveness,⁴ or in State's case, the effectiveness of its diplomatic activities. To determine program effectiveness, State could present separate descriptive statements of (1) a minimally effective program and (2) a successful program. These statements should contain sufficient precision to allow an accurate, independent determination of whether State's performance meets the criteria of the description as required by the Results Act. Systematic evaluations of how a program has been implemented can provide managers with important information about a program's success or failure.

Connecting Mission, Goals, and Budget Program Activities

While State's performance goals generally reflect State's mission and strategic goals, the plan does not clearly discuss how State's program activities, as presented in the President's fiscal year 1999 budget submission, are linked to its performance goals. OMB Circular A-11 states that the annual performance plan should show how specific performance goals are related to the specific program activities contained in the agency's budget submission. The linkage between the State budget's program activities and the associated goals cannot be determined because the plan only identifies the budget appropriation accounts to support the strategic goals. For example, under State's strategic goal to open foreign markets to the free flow of goods, services, and capital, the only reference to State's budget is that appropriation accounts such as Diplomatic and Consular Program and Contributions to International Organizations will be used. The

³Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges.

⁴Managing for Results: Analytic Challenges in Measuring Performance (GAO/HEHS/GGD-97-138, May 30, 1997).

plan does not identify the specific program activities needed to achieve the strategic or performance goals. The omission of specific program activity and dollar amounts precludes the reader from assessing how the requested funds will be used to achieve specific performance goals.

In addition to omitting program activities, we found that State's performance plan does not include several appropriation accounts that are identified in the fiscal year 1999 budget submission. Specifically, we identified budget appropriation accounts totalling about \$230 million (about 5 percent of State's total budget) that were not associated with any strategic or performance goals. For example, the appropriations for international commissions (\$46.7 million) and the Asia Foundation (\$15 million) are not linked to any strategic or performance goals. The budget submission documents provide objectives for both accounts that could be used to develop performance goals, performance measures, and indicators. State should either develop performance goals with suitable measures or include an explanation as to why these accounts are not addressed in the performance plan.

Recognizing Cross-cutting Efforts

State's performance plan does not adequately address coordination with other agencies having related strategic or performance goals. Specifically, we found that while State's plan identifies other agencies that may share the same goals, it does not discuss how State will coordinate these programs to ensure effective and efficient use of resources nor does it discuss how or to what extent other agencies will contribute to the achievement of State's performance goals. For example, to achieve a strategic goal of "promoting broad-based growth in developing and transitional economies," State plans to "work with the U.S. Agency for International Development, Treasury and multilateral institutions to support and encourage economic growth in developing and transitional countries." Further, in addressing the strategic goal to "reduce international terrorist attacks, especially on the U.S. and its citizens," the plan indicates that State will "support the Department of Justice." Neither example, however, discusses specific efforts or coordination of activities. Well-coordinated programs are especially critical in State's case because of its leadership role in international affairs.

STATE'S PERFORMANCE PLAN LACKS ADEQUATE DISCUSSION OF LINKAGE BETWEEN STRATEGIES, RESOURCES, AND GOALS

State's performance plan does not adequately discuss how the agency's strategies and resources will help achieve its goals. Further, the plan provides

little, if any, information on the type and level of resources such as operational processes, skills, and technology or human, capital, and information resources that will be required to achieve the performance goals. State's performance plan could be improved by providing better and more detailed strategies as well as including information about the resources and external factors that would allow State to better link its strategies and resources to achieving its overall strategic and performance goals.

Connecting Strategies to Results

State's performance plan generally discusses the strategies or actions the agency plans to take; however, it is inconsistent in its discussion of these strategies and the expected results. For example, State generally provided clear and reasonable strategies and performance goals in the areas of improving U.S. citizens' services and border security, and promoting democracy. Specifically, to improve citizens' services, State will (1) issue passports in a timely and effective manner, with document integrity ensured; and (2) provide nonimmigrant, immigrant visa, and refugee admission services responsively to qualified applicants. In contrast, State's plan did not present a clear picture of its methods to meet strategic and performance goals in the areas of furthering economic prosperity, preventing international crime, and enhancing humanitarian assistance. For example, the goal to enhance humanitarian assistance by increasing the capacity of the international community to meet emergency needs does not explain how State plans to achieve its goals. Without clear and fully developed strategies, it is difficult to determine exactly how State plans to reach its performance goals.

Connecting Resources to Strategies

We also determined that State's plan does not adequately address (1) the resources it will use to achieve the performance goals or (2) any external factors that would undoubtedly affect its intended strategies. State consistently linked the multiyear performance goals to the responsible organizational components (bureaus, missions, and offices); however, it generally did not relate resources or identify approaches that the agency intends to follow to achieve its target performance levels. Rather than relating resources to specific strategies and goals, State's performance plan addressed resources, including personnel, information technology, and infrastructure/operations issues, under a separate diplomatic readiness section. Within the diplomatic readiness strategies, however, the plan still does not demonstrate how these resources will be used to improve performance or help achieve specific performance goals. For example, the information technology section does not discuss how upgrading the information technology infrastructure will increase productivity,

reduce costs, decrease processing time, or improve service. Without at least some link between resources and strategies, it is hard to determine how the resources will contribute to accomplishing the expected level of performance.

Addressing External Factors

Although external factors such as host government actions and market conditions are discussed in State's strategic plan, the fiscal year 1999 performance plan generally does not discuss how external factors may influence whether, and the degree to which, State will achieve the intended results. As an example, increasing global economic growth is affected by a myriad of events, including the policies of host government and international financial institutions such as the International Monetary Fund and the World Bank. Similarly, State's strategy to support other U.S. export promotion agencies will not in and of itself lead to "expanding U.S. exports to \$1.2 trillion by the year 2000." We recognize that one of the most difficult aspects of analyzing and reporting performance data is separating the impact of a program from the impact of external factors to measure the program's effect; however, it would be useful for State to identify these factors as potential facilitators of or impediments to achieving State's performance goals.

STATE'S PERFORMANCE PLAN DOES NOT PROVIDE SUFFICIENT CONFIDENCE THAT THE AGENCY'S PERFORMANCE INFORMATION WILL BE CREDIBLE

State's performance plan does not provide sufficient confidence that its performance information will be credible. While the plan shows that State will rely on performance measures derived from data collected and maintained by the agency or obtained from external sources, it does not specifically discuss how the agency will verify and validate the data. In addition, the plan does not address (1) some of the known data and system deficiencies, (2) the degree to which these deficiencies affect specific performance measures, or (3) the planned actions to address these deficiencies.

Verifying and Validating Performance

The Results Act requires that performance plans include descriptions of procedures used to verify and validate the measured values of actual performance. To do so requires that State develop an approach to ensure that performance information collected from both internal and external sources is sufficiently complete, reliable, and consistent. In responding to this requirement, State indicated in the plan's background section that "verifying and

validating measured values is an evolving process." However, State's plan does not identify specific procedures that the agency will use to verify and validate the measured values of actual performance.

State's performance plan also does not specifically address the serious known deficiencies in State's financial and accounting, and information management systems. Specifically, State's financial and accounting systems are not capable of accurately accumulating the costs of its activities and thereby determining the cost of achieving program results and measuring the success of strategic goals. The Chief Financial Officers Act requires agencies to have financial and accounting systems that provide for the development of cost information and systematic measurement of performance. Currently, State does not have a true cost accounting system and, as a result, reliable cost information by function cannot be provided.

Since State plans to use data from its existing financial management systems to measure program results, such data should be complete, reliable, timely, and consistent. Preparing financial statements and subjecting them to an independent audit helps to generate reliable and timely information. However, as of June 1, 1998, State had not completed its required financial statement audit report for fiscal year 1997.⁵

Recognizing Data Limitations

State's performance plan does not identify significant data limitations and the implications for assessing the achievement of performance goals. For example, although the performance plan discusses the performance goal to modernize information technology infrastructure, it does not address how State is planning to resolve the serious weaknesses in its financial and accounting systems. State has the ability to include a discussion of its plan to improve financial systems by relying on methods described in its draft Federal Managers' Financial Integrity Act (FMFIA) 1997 report. The FMFIA report cites that key elements of its improvement plan include upgrading the core financial system and reducing the number of systems. Indicators to measure improvement would be the provision of better access to management information, the reduction of error and rejection rates, and the enhancement of its ability to produce timely and reliable financial statements.

While State's performance plan acknowledges that some performance data will come from sources external to the agency, no reference is made to the

⁵As of September 30, 1996, State's financial and accounting system was noted to be "materially inadequate."

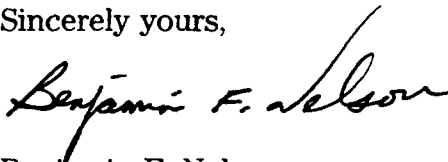
limitations of this external data. For example, State plans to rely on open sources, economic indicators, intelligence, and political analyses to measure the agency's success in addressing three of its four national security performance goals. Potential limitations in these data include inconsistencies in data collection from location to location, from year to year, or from one data source to another, especially when data from more than one source must be combined to create a measure. The plan would be more useful if it (1) recognized and identified significant data limitations and their implications for assessing the achievement of performance; and (2) discussed the procedures or steps to be used for collecting, maintaining, and analyzing the performance data from various sources, including data from foreign sources.

AGENCY COMMENTS

On April 17, 1998, we discussed a draft of this report with officials of State's Office of Management, Policy, and Planning. The officials generally agreed with our observations about the plan's weaknesses and areas that warrant attention. They noted that efforts are currently underway to better meet these requirements for the fiscal year 2000 submission. State officials welcomed additional suggestions from OMB, GAO, and congressional decisionmakers on how to establish more meaningful goals and measures that reflect the complexities of its operating environment.

As agreed with your office, we will send copies of this letter to all interested Congressional committees and the Secretary of State. We will make copies available to others on request. If you have any questions concerning this letter, please call me at (202) 512-4128. The major contributors to this letter are listed in the enclosure.

Sincerely yours,



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RELATED GAO PRODUCTS

Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

The Results Act: Observations on the Department of State's May 1997 Draft Strategic Plan (GAO/NSIAD-97-198R, July 18, 1997).

The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997).

Managing for Results: Analytic Challenges in Measuring Performance (GAO/HEHS/GGD-97-138, May 30, 1997).

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