

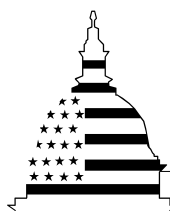
GAO

Report to Congressional Committees and
Subcommittees

May 2003

DISTRICT OF
COLUMBIA

Performance Report
Shows Continued
Progress



G A O

Accountability ★ Integrity ★ Reliability



Highlights of [GAO-03-693](#), a report to congressional committees and subcommittees

DISTRICT OF COLUMBIA

Performance Report Shows Continued Progress

Why GAO Did This Study

The Federal Payment Reauthorization Act of 1994 (Pub. L. 103-373) requires the District of Columbia to submit to the Congress a performance accountability plan with goals for the upcoming year, and after the end of the fiscal year, a performance accountability report on the extent to which the District achieved the goals in the plan. The 1994 act further requires that GAO review and evaluate the District's performance accountability report.

What GAO Recommends

To improve the usefulness of the performance reports, the District agreed with our recommendations to do the following:

- (1) Prioritize the development of data collection standards and distribute guidelines to all city agencies. Data limitations should also be documented and disclosed in the report.
- (2) Expand its coverage to include goals and measures for all of its major activities as well as related expenditures.
- (3) Include more complete information on the steps taken to comply with court orders during the year. The District should also consider monitoring the costs of complying with court orders.
- (4) Conduct additional analysis of information captured in the reports to assist in managing overall performance and achieving strategic goals.

www.gao.gov/cgi-bin/getrpt?GAO-03-693.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Patricia Dalton at (202) 512-6806 or daltonp@gao.gov.

What GAO Found

The District of Columbia has made substantial progress in its performance accountability reports over the last 4 years. The 2002 Performance Accountability Report provided a more comprehensive review of its performance than prior reports and generally complied with the statutory reporting requirements.

The report included almost all of the District's significant activities by covering 74 agencies representing about 90 percent of the total fiscal year 2002 expenditures of nearly \$5.9 billion. In addition, the 2002 report included the level of performance achieved toward almost all of the goals in the performance plan and was issued on time. As required, it provided the titles of managers and their supervisors responsible for each of the goals, and described the status of court orders based on selected criteria. Specifically, it reported the following:

- Performance results for six agencies that had not been reported on last year, including the District of Columbia Public Schools and the Child and Family Services Agency, which together amount to nearly 19 percent of the city's total 2002 expenditures. However, the report does not include agencies and funds that amount to approximately 10 percent of the city's expenditures. Among the activities not included are the Public Charter Schools, representing about 1.7 percent of the city's expenditures, and selected special purpose funds, representing about 1.3 percent of the city's expenditures.
- The status of selected court orders based on criteria developed in response to a 2002 GAO recommendation. The District has also developed a risk tracking system to monitor agency responsiveness to compliance with court orders. Although the report contains updated information for selected court orders, it does not provide complete information on the progress made and steps taken to comply with court orders.

The District has also undertaken initiatives, such as implementing performance based budgeting, creating a performance management council, and developing data collection standards, that could assist in improving overall performance management. In addition, the District's performance reports could serve as a tool for identifying and addressing long-standing management challenges. However, using performance management as a strategic planning tool requires analyzing performance data, using the analysis to maintain a focus on outcomes, and providing information that is complete and well-presented so that it is useful to managers and decision makers. In this context, there are some areas in which additional analysis of the measures, related targets, and data contained in the performance reports may be useful to the District in planning and making decisions about resource allocation as well as improving management in the future.

Contents

Letter	1
Results in Brief	1
Background	3
Objectives, Scope, and Methodology	5
The 2002 Performance Report Includes Goals and Performance Achieved for Almost All of the District’s Significant Activities	6
The Report Complied with the Other Statutory Requirements	9
The District Is Implementing Initiatives to Improve Overall Performance Accountability	12
Performance Reports Could Serve as a Tool for Identifying and Addressing Management Challenges	15
Concluding Observations	18
Recommendations	19
District of Columbia Comments	20

Appendixes	
Appendix I: Actual Expenditures for District Agencies Included in the District’s Fiscal Year 2002 Performance Accountability Report	24
Appendix II: Activities Not Included in the Fiscal Year 2002 Performance Accountability Report	27
Appendix III: Performance Based Budgeting Agencies	29
Appendix IV: Comments from the District of Columbia	31

Related GAO Products	39
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Tables	
Table 1: Special Purpose Funds to Consider Including in the Performance Plan and Performance Accountability Report	9
Table 2: Number and Percentage of Goals Rated in Each Performance Category	16
Table 3: Actual Expenditures for District Agencies Included in the Fiscal Year 2002 Performance Accountability Report	24
Table 4: Budget Activities Not Included in the District of Columbia Fiscal Year 2002 Performance Accountability Report	28

Contents

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United States General Accounting Office
Washington, D.C. 20548

May 15, 2003

Congressional Committees and Subcommittees

This is the fourth consecutive year that we have reviewed the District of Columbia's Performance Accountability Report as mandated by law.¹ The law requires the District of Columbia to submit to the Congress a performance accountability plan with goals for the coming fiscal year, and after the end of the fiscal year, a performance accountability report on the extent to which the District achieved these goals. This requirement for the District government to issue performance accountability plans and reports is similar to the requirements for executive branch federal agencies under the Government Performance and Results Act of 1993 (GPRA).²

This report focuses on the continued progress the District has made in performance reporting. In addition, while not specifically required by the mandate, it also identifies areas that the District and the Congress may want to focus on to further develop performance management as a tool for addressing some of the challenges facing our nation's capital. Specifically, the objectives of this report were to (1) examine the extent to which the performance accountability report is in compliance with the statutory requirements, (2) summarize some of the District's related performance management initiatives, and (3) identify areas for future improvements.

Results in Brief

The District has made substantial progress in its performance accountability reports over the last 4 years, and the *District of Columbia Fiscal Year 2002 Performance Accountability Report* was a continued improvement over both the 2001 and 2000 performance reports. The 2002 report provided a more comprehensive review of the District's performance than prior reports and generally complied with the statutory reporting requirements. Specifically, the 2002 report included almost all of the District government's significant activities by covering 74 agencies—6 more than last year—that represent about 90 percent of the District's total fiscal year 2002 expenditures of nearly \$5.9 billion. In addition, the 2002

¹The Federal Payment Reauthorization Act of 1994, Pub. L. 103-373.

²U.S. General Accounting Office, *Managing for Results: Using GPRA to Help Congressional Decisionmaking and Strengthen Oversight*, GAO/T-GGD-00-95 (Washington, D.C.: Mar. 22, 2000).

report was on time, and reported on the level of performance achieved toward almost all of the goals in the performance plan. As required, it provided the titles of managers and their supervisors responsible for each of the goals, and described the status of court orders based on selected criteria.

The 2002 performance report covered more of the District's significant activities, including, for the first time, performance information for the District of Columbia Public Schools and the Child and Family Services Agency—representing approximately 15 percent and 4 percent of the fiscal year's total expenditures, respectively. It also included the status of selected court orders based on criteria developed in response to a GAO 2002 recommendation that objective criteria were needed to determine the types of court orders the District includes in the performance report. In addition, the District has undertaken other initiatives, such as implementing performance based budgeting, creating a performance management council, and developing data collection standards, that could assist in improving overall performance management. While the District continues to make noteworthy progress in a more results-oriented approach to performance management and accountability, there are some key areas where improvements in performance reporting can be used in identifying and addressing management challenges.

First, while the District expanded its coverage of significant activities by including performance results for the District of Columbia Public Schools and the Child and Family Services Agency in the 2002 report, it should work toward further expanding its coverage to include goals and measures for all of its major activities as well as related expenditures. Specifically, the District should include goals and measures for the Public Charter Schools, and for selected special purpose funds administered by the agencies, to provide more comprehensive information on activities. The Public Charter Schools represented nearly \$98 million, or 1.7 percent, of the city's total fiscal year 2002 expenditures, and the selected special purpose funds represented approximately \$75 million, or 1.3 percent, of the city's total fiscal year 2002 expenditures.

Second, while the District has developed criteria for reporting on court orders—as recommended in our 2002 report—the information included in the performance accountability reports could be more informative in reporting on the status of and progress made in complying with court orders. Also, the District has taken the initiative to develop a risk tracking system for monitoring compliance with court orders, and we recommend

that it consider including the costs of complying with court orders with the areas that are monitored.

Third, the District has acknowledged that addressing issues of data quality continues to be an area that needs improvement, and we believe that this should be a top priority for the District. While performance reports can be an important tool in addressing management challenges, their usefulness is limited by concerns about data quality. In order to use information gathered in the performance management process, decision makers must have confidence in the credibility of the data. The District's recognition of this challenge and its corresponding initiative to develop data collection standards and guidelines for agencies converting to performance based budgeting is an important one, and we recommend that some level of guidance on data quality be provided to all agencies.

Finally, the District faces some significant management challenges, and performance reporting is an important tool available for identifying and addressing those challenges. While the District's additional performance management initiatives, such as implementing performance based budgeting and creating a performance management council are important efforts that can move the District toward the next level of performance management, the District should also consider further analyzing and using the information presented in its performance report. Using performance management as a strategic planning tool requires analyzing performance data, using the analysis to maintain a focus on outcomes, and providing information that is complete and well-presented so that it is useful to managers and decision makers. For example, the District could present a summary analysis of key results for strategic goals to identify areas needing further attention and an analysis of progress in meeting goals over time. As the District continues to work on data quality concerns and produces data on a consistent set of goals over time, the District should also move toward more comprehensive analysis of the data reported for use in managing overall performance and achieving the city's strategic goals. In addition, as the District's implementation of performance based budgeting progresses, it should link performance goals and measures to related expenditure information in the performance accountability report to enhance transparency and accountability.

Background

The Federal Payment Reauthorization Act of 1994 requires that the Mayor of the District of Columbia submit to the Congress a statement of measurable and objective performance goals for all the significant

activities of the District government (i.e., the performance accountability plan). After the end of each fiscal year, the District is to report on its performance (i.e., the performance accountability report). The performance report is to include

- a statement of the actual level of performance achieved compared to each of the goals stated in the performance accountability plan for the year,
- the title of the District of Columbia management employee most directly responsible for the achievement of each goal and the title of the employee's immediate supervisor or superior, and
- a statement of the status of any court orders applicable to the government of the District of Columbia during the year and the steps taken by the government to comply with such orders.

The law also requires that GAO, in consultation with the Director of the Office of Management and Budget, review and evaluate the District's performance accountability report and submit comments no later than April 15 to your committees.³

Last year, our report on the District's fiscal year 2001 performance accountability report found continued progress was made from the prior year's report. Specifically, it noted the expansion of the activities covered by the report, and use of a consistent set of performance goals allowing more effective progress reporting. While acknowledging this progress, our report also included recommendations that future performance accountability reports (1) more fully comply with the requirement to report on court orders by establishing objective criteria for determining which court orders to include and by providing more information on the status and steps taken to comply with court orders, (2) include information on the extent to which its performance measures and data have been verified and validated and discuss strategies to address known data limitations, and (3) include goals and performance measures for more of the District's significant activities and link related expenditure information to help ensure transparency and accountability.

³This year, the deadline was extended to May 15, 2003.

In response to our recommendations, the District agreed (1) to develop criteria to determine which court orders should be included in the report, and to provide more detail on specific actions it takes in response to court orders, (2) to develop data collection standards, and stated that it would begin that process by developing data collection manuals for agencies in the first phase of performance based budgeting and distributing guidelines to all agencies, and (3) to expand its coverage of significant activities by developing and reporting on goals and measures for several additional agencies and selected special purpose funds in future years.

Objectives, Scope, and Methodology

The objectives of this report were to (1) examine the extent to which the performance accountability report is in compliance with the statutory requirements, (2) summarize some of the District's related performance management initiatives, and (3) identify areas for future improvements.

To meet these objectives, we reviewed and analyzed the information presented in the District's *Fiscal Year 2002 Performance Accountability Report* and related budget and planning documents, and we interviewed the District official primarily responsible for strategic planning and performance management.

- To examine the extent to which the District's performance accountability report included all significant activities and reported performance for each of the goals in the performance plan, we compared the information in the 2002 performance accountability report with the performance plan and with information on actual expenditures presented in the District's budget.⁴
- To determine the extent to which the report adheres to the other statutory requirements, we analyzed the information contained in the District's report in conjunction with the requirements contained in the Federal Payment Reauthorization Act of 1994.
- To summarize some of the District's performance management initiatives and identify areas for future improvement, we reviewed prior years' performance accountability reports and budget documents and

⁴Government of the District of Columbia, *Fiscal Year 2003 Proposed Budget and Financial Plan*, (Washington, D.C.: June 2002), and Fiscal Year 2004 Mayor's Proposed Budget and Financial Plan.

other relevant planning documents, such as the District's Citywide Strategic Plan and the Strategic Business Planning Resource Guide. We also reviewed recommendations from our reports on previous year's performance accountability reports and our other recent work related to performance management and the District of Columbia.

We conducted our work from March through May 2003 in accordance with generally accepted government auditing standards. In accordance with requirements contained in the law, we consulted with a representative of the Director of the Office of Management and Budget concerning our review. We did not verify the accuracy or reliability of the performance data included in the District's report, including information on the court orders in effect for fiscal year 2002.

We provided a draft of this report to the Mayor of the District of Columbia for review and comment. The Deputy Mayor/City Administrator provided oral and written comments that are summarized at the end of this report. The written comments are reprinted in appendix IV.

The 2002 Performance Report Includes Goals and Performance Achieved for Almost All of the District's Significant Activities

The fiscal year 2002 performance accountability report includes almost all of the District's significant activities, providing performance information for 74 agencies representing about 90 percent of the District's expenditures of nearly \$5.9 billion for that year. However, the report does not include budget activities that amount to \$565.8 million, or approximately 10 percent, of the city's expenditures. The law requires that the performance accountability plan include measurable and objective performance goals for all of the significant activities of the District government, and that the performance accountability report include a statement of the actual level of performance achieved compared to each of the goals stated in the plan. The report includes goals and measures for 6 agencies, including the District of Columbia Public Schools (DCPS) and the Child and Family Services Agency (CFSA), which were not included in the 2002 report,⁵ and it provides information on the level of performance achieved for 99 percent of the goals included in the performance plan. Among the activities not included are the Public Charter Schools and selected special purpose funds

⁵The 6 agencies are the District of Columbia Public Schools, the Child and Family Services Agency, the Office of the Secretary, the Office of Asian and Pacific Islander Affairs, the District of Columbia Housing Finance Agency, and the National Capital Revitalization Corporation.

that the District had agreed to include in future performance accountability reports so that a more complete picture of significant activities was provided.

Last year, the District stated that it would seek to provide performance data for the Public Charter Schools in the fiscal year 2002 performance report to establish a baseline for 2003 and beyond. In addition, the District agreed that providing performance information for six selected special purpose funds in future reports would present a more complete description of the District's activities. The 2002 report does not provide an explanation as to why these agencies and funds were not included. Appendix I lists the 74 agencies included in the District's 2002 performance accountability report along with the 2002 actual expenditures for each of these agencies, and Appendix II lists the budget activities not included in the 2002 report.

The District Reported on the District of Columbia Public Schools and the Child and Family Services Agency for the First Time

For the first time, the District's 2002 report includes performance information for goals and measures consistent with the plan for the DCPS and the CFSA. Last year, the District reported that these two agencies had not developed performance goals and measures for the performance plan, but that the District planned to include them in the 2002 performance report. Together these agencies represented about 19 percent of the city's total 2002 expenditures.

Last year we stated that the absence of goals and measures related to educational activities remained the most significant gap in the District's coverage of its activities. In fiscal year 2002, DCPS accounted for 15 percent of the District's actual expenditures. While DCPS goals and measures were included in the fiscal year 2002 performance report, five of the seven goals for DCPS received no rating because DCPS did not set fiscal year 2002 targets for those measures. The report notes that 2002 results for those measures will be used to establish a baseline to set performance targets for fiscal year 2003. The inclusion of DCPS in the fiscal year 2002 performance report is an important first step in closing the gap on the District's performance reporting on its educational activities.

In fiscal year 2002, CFSA comprised nearly 4 percent of the District's actual expenditures, and this is the first year for which performance information is provided for a complete set of goals and measures consistent with the plan. The District reported on all five of the goals developed for this agency. While information on measures for CFSA was included in the 2000 performance report, the goals were not consistent with the performance

plan. Last year, the District explained that CFSA was not included in the 2001 performance report because the agency was in the midst of negotiating the transition from receivership, and the goals and measures that had previously been developed were not consistent with the transition requirements under negotiation.

The District Reported Performance Levels for Almost All Goals

The District reported on a set of goals that is largely consistent with the performance plan presented in the proposed fiscal year 2003 budget—about 86 percent of the goals are consistent. The District also indicated the level of performance achieved for 99 percent of the goals in the report. The report contains performance information for 74 agencies with 290 goals among them. The level of performance achieved is specified for all but 2 of the goals citywide,⁶ an improvement over last year when the level of performance achieved was omitted for 13 goals. In addition, the District also has reported on many goals for 2 consecutive years, thus making available performance information that could be used to analyze progress over time.

Public Charter Schools and Special Purpose Funds Were Not Included in the 2002 Report

While all but about 10 percent of the District's expenditures are represented in the performance report, there are some additional areas that the District should consider including in its performance plans and reports. The District of Columbia Public Charter Schools and several special purpose funds do not have goals and measures in the fiscal year 2002 performance report. The Public Charter Schools represent approximately 1.7 percent of the total fiscal year 2002 expenditures of nearly \$98 million. Last year, the District stated that it planned to propose that the Public Charter Schools review the goals and measures developed by DCPS and consider adopting similar measures, especially those related to student performance. The District stated that it would seek to provide performance data in the 2002 report to establish a baseline for 2003 and beyond. However, goals and measures for Public Charter Schools were not

⁶These two goals include a goal for the Department of Health to improve group home inspections, which the report noted was not rated because adequate performance measures were never agreed upon, and a goal for the Advisory Commission on Sentencing (ACS) to project the impact of commission recommendations on the number of incarcerated offenders and offenders on supervised release, which the report noted was not rated because ACS did not provide data on the results.

included in the performance report, and the report does not explain why they are excluded.

Last year, we recommended that the District consider including some of the city's special purpose funds and linking these areas to the agencies that are responsible for these expenditures. The District responded that it would be appropriate to develop goals and measures and report on six special funds, representing approximately 1.3 percent of the total fiscal year 2002 expenditures of approximately \$75 million. (See table 1 for a list of these funds.) However, goals and measures for these funds have not yet been developed, and the report does not provide an explanation as to why these funds were not included, aside from, in some cases, notes stating that these are funds and have no measures.

Table 1: Special Purpose Funds to Consider Including in the Performance Plan and Performance Accountability Report

Funds	Fiscal year 2002 expenditures (in thousands)
1. Settlements and Judgments	\$31,360
2. Unemployment Compensation Fund	9,182
3. Disability Compensation Fund	27,701
4. Children and Youth Investment Fund	5,831
5. Brownfield Remediation	198
6. Incentives for Adoption of Children	904
Total	\$75,176

Source: GAO analysis of the District of Columbia *Fiscal Year 2003 Proposed Budget and Financial Plan* and the District of Columbia *Fiscal Year 2002 Performance Accountability Report*.

The Report Complied with the Other Statutory Requirements

Over the last 4 years, the District has made continued improvements in addressing the other statutory requirements of the law. The District's fiscal year 1999 performance accountability report contained very little of the information required by the statute, and the subsequent reports have shown continued and significant improvement in complying with the mandate. Specifically, the 2002 report was issued by March 1, as required, and in addition to reporting on performance achieved on goals for almost all of the District's significant activities, it also includes the titles of the District management employee most directly responsible for the achievement of each of the goals as well as the title of that employee's

immediate supervisor for almost all of the goals. Further, it also includes information on the status of court orders applicable to the District during the year and some of the steps taken by the District to comply with such court orders. The District agreed with the recommendation in our 2002 report and has developed criteria for determining which court orders to include in the report.

Criteria for Court Orders Have Been Developed

The District has established criteria for determining the types of court orders for which it will provide specific compliance information in the performance reports. In our review of the District's *Fiscal Year 2001 Performance Accountability Report*, we recommended that the District, in order to more fully comply with the law, establish objective criteria to determine the type of court orders for which it will provide specific compliance information. The District concurred with our 2002 recommendation and has established two criteria that must be met for court orders to be included in the performance accountability report: court orders (1) that impose systemic programmatic requirements on a District agency or agencies, and (2) over which the court has retained jurisdiction to monitor compliance. The District reported that while this specification of criteria will address our recommendation, the District's intention is to improve agency responsiveness to court orders and legal settlements to shorten the time these orders and settlements are in effect.

The Report Contains Information on Selected Court Orders

The District's 2002 performance report contains information on the status of 10 court orders to the District of Columbia that were in effect during the year. The District has been reporting on 9 of these cases since 2000, and 1 new case, *Nelson v. the District of Columbia*, was added in fiscal year 2002 because it meets the new reporting criteria. Since the issuance of the performance report, the District announced that the consolidated civil actions of *Campbell v. McGruder* and *Inmates v. Jackson*, a case related to environmental and safety conditions at the D.C. jail, has been terminated. On March 25, the District announced that it had received the court order signed by the U.S. District Court judge terminating the case and ending 32 years of court oversight of the D.C. jail. According to the District, a number of significant improvements initiated as a part of a 6-year \$30 million capital improvement plan were major contributing factors to finally ending court intervention in the daily operations of the facility. And, because court supervision ended in three other court cases previously included in the report, they were not included in the 2002 report.

Information on Progress in Complying with Court Orders Is Incomplete

Although the 2002 performance report contains updated information on selected court orders, the report does not provide complete information on the progress made and steps the District government is taking to comply with those orders. The law requires that the District's report include a statement of the status of any court orders applicable to the District during the year and the steps taken by the government to comply with such orders. Last year, we noted in our review of the District's 2001 performance report that the summary information did not provide a clear picture of what steps are being taken to comply with the requirements of the court orders. Although the 2002 report includes a brief update on the status of some of the court orders, it lacks complete information in terms of reporting on the progress made in complying with such orders. The District's Chief Financial Officer has noted, and our ongoing work on the District's fiscal issues has confirmed, that the District's unforeseen expenses are often driven by new legislative imperatives, court-ordered mandates, and suits and settlements. For example, in our work on the District's structural fiscal issues, District officials reported that complying with court orders for special education services has led to large increases in costs. In view of the fiscal impact of these mandates, the progress made in complying with court orders, and the costs incurred in complying are important areas of reporting on the District's performance.

Risk Tracking System for Monitoring Court Orders Has Been Developed

While not required by the law, the District reported that the Office of the City Administrator's Office of Risk Management has taken the initiative to develop a database to better monitor agency responsiveness to and compliance with court orders as well as other findings against the District. The Risk Tracking System tracks several areas related to meeting the requirements of the court orders, such as

- identification of implementation issues and plans,
- implementation of and reporting on accepted findings/recommendations,
- submission of complete court-ordered reports, and
- submission of a detailed exit strategy plan from court supervision.

The District implemented this centralized approach to monitoring agency compliance with court orders to help the District emerge from existing

court orders sooner, improve the District's relationship with the courts, and forge working partnerships with the stakeholders and the advocates who have historically resorted to legal remedies.

The District Is Implementing Initiatives to Improve Overall Performance Accountability

The 2002 performance report notes that the District's performance management system has improved but continues to be a work-in-progress. It summarizes several areas in which initiatives to improve performance accountability are under way. These initiatives include the continued implementation of performance based budgeting in connection with the citywide strategic plan, the creation of the Performance Management Council, and the development of data collection standards to improve the availability, quality, and reliability of data used for performance management. Although these initiatives are still in the implementation phase, they are important efforts that could lead to overall improved performance management and reporting in future years.

Performance Based Budgeting in the District

Performance based budgeting links budgets to programs and activities and involves developing a new program budget structure encompassing programs, activities, and services as opposed to an organizational budget structure. The District's implementation of performance based budgeting is aligned with the city's strategic planning process. The city's strategic plan defines five broad priority areas and identifies goals for each of these areas. For each priority area, the plan also identifies the amount of funding provided in fiscal year 2003. Agency strategic plans are linked to these priority areas, and in the agencies implementing performance based budgeting, the agency goals and key performance measures are also linked with these priority areas. The Mayor's proposed budget describes strategic goals to be achieved by the agency over the next 2-3 years and activities and key initiatives by program within the agency. Each program includes a budget, program activities, and related key initiatives and results measures.

Seven of the Mayor's cabinet agencies, representing about 45 percent of the city's operating budget, implemented performance based budgeting in fiscal year 2003, and an additional 27 agencies plan to implement performance based budgeting in fiscal year 2004. These 34 agencies represent more than 80 percent of the District's budget. The District plans to convert all agencies to performance based budgeting by fiscal year 2006. Appendix III provides a list of the agencies in the first two phases of performance based budgeting implementation.

As part of the implementation process, each agency develops a strategic business plan that includes both the agency strategic plan and an operational plan for goals by defining activities, related services, and performance measures. The agency strategic business plan includes more detail on measures by describing outputs, demand, and efficiency, as well as results for activities. The business plan also links the budget at the program activity level. This linkage provides a more detailed level of information than the city's proposed budget, which aligns the budget at the program level. In the process of developing the strategic business plan, agencies refine their goals, link programs to goals, and develop measures that are aligned to programs.

This revised planning process may result in changes in the presentation of goals and measures from prior year performance plans and related performance reports. For example, for agencies implementing performance based budgeting in fiscal year 2003, we found that the goals and/or measures for some agencies have been consolidated, revised, or expanded from those in the District's fiscal year 2002 performance plan and the performance report. The 2002 performance report notes that performance based budgeting will initially lead to an increase in the goals and measures that change from year-to-year as agencies develop their strategic business plans.

An additional component of performance based budgeting is the ability to track costs for common administrative expenses across agencies, beginning in fiscal year 2004. All performance based budgeting agencies now include a program entitled "agency management," which encompasses 13 operational functions such as personnel, contracting and procurement, property management, information technology, and legal services. This new program will allow for citywide monitoring, reporting, and analysis of administrative costs across agencies.

Establishment of a Performance Management Council

In fiscal year 2002, the District formed a Performance Management Council consisting of the Mayor's cabinet agencies that are primarily responsible for developing and implementing the District's performance management system. The council was formed as a way of engaging agencies in developing the performance measurement and reporting process. While it is not involved in developing or reviewing goals and measures, the council is involved in developing guidelines and reviewing sample products used in the performance planning and reporting process. The council also has been

working on issues of data quality and developing guidelines for the data collection manual.

The District Is Implementing Data Quality Standards

In the 2002 performance report, the District again identified data collection standards as one of the areas it continues to work to improve. During the summer of 2002, the District developed a preliminary template for agencies to document data collection. This template requires agencies to provide information for each key result measure, including the data collection methods, the formula used to calculate the results for measures, quality assurance plans and procedures, limitations on the data, and identification of the staff members responsible for data management. The District is implementing data collection guidelines as agencies convert to performance based budgeting. For fiscal year 2003, the 7 agencies that converted to performance based budgeting will be compiling data collection manuals for key result measures this summer.

The District acknowledges some concerns about data quality, and has indicated that none of the data contained in the 2002 performance report have been verified for accuracy or reliability. Improving data reliability is critical to the credibility of the performance reports and should become a top priority among the District's initiatives to improve accountability. While performance reports can be an important tool in addressing management challenges, their usefulness is limited by concerns about data quality. In order to apply information gathered in the performance management process to develop plans, set realistic goals, and assess whether goals are being met or how performance can be improved, decision makers must be confident in the quality and credibility of the data. In our work on performance management at the federal level, we have noted that success in performance based budgeting is not achieved by simply providing data, but is based on the quality of the discussion, the transparency of the information, and how it is used in the decision-making process. Furthermore, if agency managers perceive that performance data will be used to make resource allocation decisions, and data can also help them make better use of resources, agencies may make greater investments in improving their capacity to produce quality information.

Performance Reports Could Serve as a Tool for Identifying and Addressing Management Challenges

The District continues to face considerable management challenges, and performance reporting is one important tool available to decision makers to assist in identifying and addressing those challenges. Using performance management as a strategic planning tool requires balancing the need to set reasonable, achievable measures with the challenge of setting longer-term strategic goals that will move the city to an improved level of service in the future. This effort requires analyzing performance data, using the analysis to maintain a focus on outcomes, and providing information that is complete and well-presented so that it is useful to managers and decision makers. Performance data can have real value only if they are reliable and used to identify and analyze the gap between an organization's actual performance and its goals, thus allowing managers to review measures and related targets to identify areas that are most in need of improvement. As a result, managers are in a better position to revise measures to focus on results that may be better indicators of achieving strategic goals. Additionally, for performance information to be useful, it needs to be clearly presented and summarized to make it accessible to a range of audiences, including program managers and decision makers.

In this context, there are some areas in which additional analysis of the measures, related targets, and data contained in the performance reports may be useful to the District in planning and making decisions about resource allocation as well as improving overall management in the future. For example, the District could analyze ratings for measures to identify areas needing further attention and analyze progress in meeting goals over time. While the District does present some analysis for selected goals in cabinet agencies, known as the "scorecard" goals, this only includes 3 to 5 goals each for 35 cabinet agencies, out of the total 290 goals in 74 agencies in the performance report. More complete performance reporting provides information on programs and services as well as costs, either in terms of unit costs or comprehensive program costs. Further, consideration should be given to establishing more specific goals and measures for long-standing management challenges.

Analysis of Data Reported Could Be Useful in Addressing Management Issues

The fiscal year 2002 performance report indicates that the District achieved most of the goals in the performance plan. The District determines the degree to which an agency achieves its goals on a six-point rating scale as follows: (1) significantly exceeded expectations, (2) exceeded expectations, (3) met expectations, (4) needs improvement, (5) below expectations, and (6) no rating. The rating for each goal is determined by

averaging the results of the measures for that goal. Table 2 summarizes our analysis of the information on the number of agencies with ratings in each performance category, and the number and percentage of goals rated in each category, as indicated in the 2002 performance report.

Table 2: Number and Percentage of Goals Rated in Each Performance Category

Rating category	Number of agencies	Number of goals	Percentage of goals
1. Significantly exceeded expectations	15	24	8
2. Exceeded expectations	40	89	31
3. Met expectations	56	111	38
4. Needs improvement	19	31	11
5. Below expectations	4	4	1
6. No rating	11	29	10
7. Not rated ^a	2	2	1
Total	N/A^b	290	100

Source: GAO analysis of data from the *District of Columbia Fiscal Year 2002 Performance Accountability Report*.

^aTwo goals were not rated in one of the six categories.

^bThere are a total of 74 agencies with multiple goals rated in the categories listed above. Therefore, the total does not add to 74.

One level of analysis the District may want to consider is the progress reported in meeting the goals of the city's longer-range plans in strategic areas. For example, our analysis shows that, of the 288 goals evaluated, 224 goals, or 78 percent, were rated in the top three categories. For these goals, it may be appropriate for the District to review the impact of achieving the goals and whether the reported results represent improved performance toward strategic priorities.

A related area for review may also be measures that receive no rating, or measures for which ratings fall in the three categories below meets expectations. Based on our analysis, nearly half of the agencies in the report had ratings for goals that fell in the bottom three categories; 64 goals, or 22 percent, were determined as needing improvement, below expectations, or received no rating. According to the report, a determination of no rating was made when factors beyond an agency's control prevented the agency from meeting a goal or measuring performance. A total of 29 goals received no rating, and the most frequent reason indicated was lack of data. The explanations provided for the lack

of data were that the agency did not enforce the measure and/or did not capture data.⁷ Further, 31 goals in 19 agencies were rated as needing improvement mostly because the agencies failed to reach targets for certain measures. Finally, a total of 4 goals at 4 different agencies, the Alcohol and Beverage Regulation Administration, the Board of Property Assessment and Appeals, the D.C. Public Library, and the Office of Planning, were rated below expectations.

The District agreed that additional analysis could be helpful and noted that, in some cases, the information reported in the performance report is already used to address management issues. For example, recurring changes in an agency's goals may indicate a lack of direction within the agency. In other cases, although a target for a measure may have been met, it may not have resulted in improvements in service delivery. For example, focusing on achieving output measures for a goal, such as purchasing additional ambulances, may not result in the desired outcome of improved response time to emergencies. The performance report is also used in evaluating the performance of city managers, and 60 percent of an agency director's rating is based on the agency's strategic plan goals.

Ongoing Management Issues Facing the District

In our work on the District of Columbia's structural fiscal issues, we have found shortcomings in the District's financial and personnel management systems that have resulted in lost revenue or unplanned expenditures. Others also have reported on similar problems.⁸ For example, the District lost opportunities for receiving Medicaid revenue of approximately \$40 million in fiscal year 2002 due to inadequate processes and systems for tracking services and processing claims for federal reimbursement. In the District's public school system, a lack of internal controls and clearly defined and enforced policies and procedures have resulted in an inability to monitor personnel vacancies and staffing levels, and in unauthorized purchases at the school level. Similarly, we found that the District did not have adequate procedures for tracking and reporting public safety costs

⁷For example, the Alcoholic Beverage Regulation Administration received no rating on its goal to increase the number of inspections and investigations related to underage drinking because it did not enforce the measure and did not capture data.

⁸McKinsey & Company, *Assessing the District of Columbia's Financial Position* (Washington, D.C.: March 2002), and Carol O'Cleireacain and Alice Rivlin, *A Sound Fiscal Footing for the Nation's Capital: A Federal Responsibility* (Washington, D.C.: The Brookings Institution, October 2002).

that might entitle the city to more reimbursement from the federal government.

While developing adequate financial and personnel management systems are common challenges faced by government entities, these systems have been identified as “material weaknesses” in audits of the District’s financial statements. Although the 2002 performance report includes goals for the Office of the Chief Financial Officer and DCPS that are related to improving financial and payroll operations, these efforts could be more clearly linked to results. Financial and personnel management are critical areas in which performance plans and reports could be applied to set expectations, monitor specific initiatives, and report on improvements in systems.

Concluding Observations

The District has made steady progress over the past 4 years in implementing a more results-oriented approach to management and accountability and issuing a timely and more complete performance report. In this early stage of performance management, the District has developed a strategic plan and tested goals and measures for significant activities over several years. Performance plans have been linked to budgets, and performance reports are consistent with plans. The next phase of performance management involves ensuring data quality, linking expenditure information to goals and measures, and using the information reported to make decisions about resource allocation and address significant management issues.

In our work with federal agencies in implementing the requirements of GPRA, we have found that, over several years, agencies have improved the focus of their planning and the quality of their performance information. However, developing credible information on outcomes achieved remains a work in progress. The District faces this same challenge. In working to strengthen the linkages between resources and results, efforts must be made to ensure that the measures used are grounded in a firm analytic and empirical base. Credible performance information is essential for accurately assessing agencies’ progress toward the achievement of their goals and pinpointing specific solutions to performance shortfalls. Agencies also need reliable information during their planning efforts to set realistic goals.⁹ As decision makers gain confidence in the performance

⁹U.S. General Accounting Office, *District of Columbia Government: Progress and Challenges in Performance Management*, [GAO-01-96T](#) (Washington, D.C.: Oct. 3, 2000).

information, the performance reports could become more useful to the District in addressing some of the city's ongoing management challenges. Performance plans could be developed to more clearly address specific concerns, and analysis and presentation of data in the reports could help to make them a more useful tool to evaluate progress and review and revise goals and measures. As the District moves toward this next phase of performance management, we recommend improvement in specific areas of the performance reports.

Recommendations

In order to build on the progress the District has made in improving its performance accountability reports over the last few years, we believe addressing data quality, and thereby improving the usefulness of the performance reports, should become a top priority. The District should continue its efforts to develop data collection standards and should distribute guidelines to all city agencies. Data limitations should also be documented and disclosed in the performance report.

In addition, we recommend that more information be included in future reports in the following areas:

- The District should work toward further expanding its coverage to include goals and measures for all of its major activities as well as related expenditures. Specifically, the District should develop and report on goals and measures for the Public Charter Schools and for selected special purpose funds administered by the agencies to provide more comprehensive information on activities. As the District's implementation of performance based budgeting progresses, it should link performance goals and measures to related expenditure information in the performance report to enhance transparency and accountability. The District should consider including such information for the 7 agencies that implemented performance based budgeting in the fiscal year 2003 performance report.
- Information on court orders could be improved by reporting more information on the steps taken to comply with court orders during the year. Due to the substantial and often unexpected costs incurred in complying with court orders, the District should also consider monitoring these costs.
- The District should work toward providing additional analysis of information captured in the performance reports. Reviewing the results

reported for goals and measures and presenting a summary analysis of the data as part of the performance report could improve the usefulness of the reports in managing overall performance and achieving the city's strategic goals. Where specific management challenges are identified, goals and measures that are more clearly linked to outcomes addressing these challenges might be considered.

District of Columbia Comments

On May 6, 2003, we provided a draft of our report to the Mayor of the District of Columbia for his review. The Deputy Mayor met with us on May 7, 2003, to discuss the draft and provided us with written comments on May 9, 2003. His written comments are reprinted in appendix IV.

The Deputy Mayor agreed with the findings of the report and concurred with our recommendations. He stated that our suggestions were consistent with the direction the District would like to go to enhance its performance management and reporting systems. He provided an overview of the District's performance management system of which the performance accountability report is only one component. This summary explained the ways in which the District already makes use of performance data to foster improvements in management and service delivery. He stated the following in response to our specific recommendations:

- The District plans to implement the data collection standards manual beginning with the 7 agencies in Phase I of the performance based budgeting initiative and will complete the draft guidelines for these agencies by fall 2003, and the draft guidelines will then be shared with all other agencies. In addition, the District will include a discussion of the status of the data collection manual project and a statement of the limitations of the data for all agencies in the fiscal year 2003 performance report.
- The District will attempt to establish fiscal year 2004 goals and measures for the Public Charter Schools and selected special funds. As a first step, the District will include fiscal year 2003 data for measures for the Public Charter Schools without targets to the extent possible, as was done for DCPS in the fiscal year 2002 performance report. The District will also identify output measures for special funds and set targets prior to the beginning of fiscal year 2004 and plans to include results without targets in the fiscal year 2003 performance report for these funds as well. Furthermore, the District plans to link performance and financial data as a result of implementing performance

based budgeting. The District plans to include selected financial data for the 7 agencies in Phase I of performance based budgeting in the fiscal year 2003 performance report.

- The risk tracking system established to monitor court orders should facilitate providing more information on court orders, and the fiscal year 2003 performance report will include additional detail on the steps taken to address court orders. In addition, the District will begin to discuss how to incorporate the costs of compliance with court orders into the risk tracking system, and will describe the progress on identifying costs of compliance in the fiscal year 2003 performance report.
- The District will provide additional data analysis and present selected summary information in the fiscal year 2003 performance report. The District will also describe how performance data are used in monitoring and managing performance throughout the year.

Finally, in light of the fact that the performance report is largely in compliance with the law, the Deputy Mayor thanked GAO for our suggestions to move the performance report from a compliance report to a more useful tool that could assist in improving performance management. Noting the District's limited staff and resources dedicated to performance management due to budget constraints, he appreciated our offer to share information from our related work on the District's structural fiscal issues that could assist in identifying jurisdictions that may be useful for benchmarking the District's performance.

We are sending copies of this report to the Honorable Anthony A. Williams, Mayor of the District of Columbia. We will also make copies available to others upon request. This report will also be available on GAO's Web site at <http://www.gao.gov>. Key contributors to this report were Ann Calvaresi-Barr, Katharine Cunningham, and Amelia Shachoy. If you or your staffs

have any questions concerning this report, please contact me or Ann Calvaresi-Barr on (202) 512-6806.

A handwritten signature in black ink that reads "Patricia A. Dalton". The script is cursive and fluid, with the first name "Patricia" being more prominent than the last name "Dalton".

Patricia A. Dalton
Director, Strategic Issues

List of Congressional Committees and Subcommittees

The Honorable Mike DeWine
Chairman
The Honorable Mary Landrieu
Ranking Minority Member
Subcommittee on the District of Columbia
Committee on Appropriations
United States Senate

The Honorable George Voinovich
Chairman
The Honorable Richard Durbin
Ranking Minority Member
Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia
Committee on Governmental Affairs
United States Senate

The Honorable Thomas M. Davis, III
Chairman
The Honorable Henry A. Waxman
Ranking Minority Member
Committee on Government Reform
House of Representatives

The Honorable Rodney Frelinghuysen
Chairman
The Honorable Chaka Fattah
Ranking Minority Member
Subcommittee on the District of Columbia
Committee on Appropriations
House of Representatives

Actual Expenditures for District Agencies Included in the District's Fiscal Year 2002 Performance Accountability Report

The District of Columbia included 74 agencies in its fiscal year 2002 performance accountability report. These agencies accounted for 90 percent of the District's expenditures for fiscal year 2002. Table 3 lists these agencies and their fiscal year 2002 actual general fund expenditures. The agencies are listed in the order in which they appear in the performance accountability report.

Table 3: Actual Expenditures for District Agencies Included in the Fiscal Year 2002 Performance Accountability Report

Agency	Fiscal year 2002 actual expenditures (in thousands)
1. Office of the District of Columbia Auditor	\$1,283
2. Office of the Mayor	9,241
3. Office of the Secretary	2,300
4. Customer Service Operations	1,850
5. Office of the City Administrator	14,594
6. Office of Personnel	15,582
7. Human Resources Development Fund	3,506
8. Office of Finance and Resource Management	152,023
9. Office of Contracting and Procurement	14,693
10. Office of the Chief Technology Officer	27,756
11. Office of Property Management	51,267
12. Contract Appeals Board	676
13. Board of Elections and Ethics	3,763
14. Office of Campaign Finance	1,290
15. Public Employee Relations Board	623
16. Office of Employee Appeals	1,485
17. Office of the Corporation Counsel	55,578
18. Office of the Inspector General	11,619
19. Office of the Chief Financial Officer	88,598
20. Office of the Deputy Mayor for Planning and Economic Development ^a	30,228
21. Office of Planning	0
22. Office of Local Business Development	0
23. Office of Motion Picture and Television Development	0
24. Office of Zoning	1,892
25. Department of Housing and Community Development	68,019
26. Department of Employment Services	79,321

Appendix I
Actual Expenditures for District Agencies
Included in the District's Fiscal Year 2002
Performance Accountability Report

(Continued From Previous Page)

Agency	Fiscal year 2002 actual expenditures (in thousands)
27. Board of Appeals and Review	243
28. Board of Real Property Assessments and Appeals	274
29. Department of Consumer and Regulatory Affairs	29,908
30. Alcoholic Beverage Regulation Administration	1,976
31. Department of Banking and Financial Institutions	4,378
32. Public Service Commission	6,290
33. Office of the People's Counsel	3,826
34. Department of Insurance and Securities Regulation	8,346
35. Office of Cable Television and Telecommunications	4,013
36. Metropolitan Police Department	343,054
37. Fire and Emergency Medical Services Department	138,332
38. Department of Corrections	125,611
39. D.C. National Guard	1,894
40. D.C. Emergency Management Agency	19,887
41. Commission on Judicial Disabilities and Tenure	182
42. Judicial Nomination Commission	93
43. Office of Citizen Complaint Review	1,168
44. Advisory Commission on Sentencing	416
45. Office of the Chief Medical Examiner	5,740
46. D.C. Public Schools	899,060
47. State Education Office	48,304
48. University of the District of Columbia	56,068
49. D.C. Public Library	27,366
50. Commission on the Arts and Humanities	2,685
51. Department of Human Services	432,768
52. Child and Family Services Agency	216,035
53. Department of Mental Health	223,424
54. Department of Health	1,225,718
55. Department of Parks and Recreation	42,679
56. D.C. Office on Aging	19,824
57. Office of Human Rights	1,838
58. Office of Latino Affairs	3,648
59. D.C. Energy Office	13,015
60. Office of Asian and Pacific Islander Affairs	172
61. Department of Public Works (includes Department of Transportation)	135,251
62. Department of Motor Vehicles	32,572

Appendix I
Actual Expenditures for District Agencies
Included in the District's Fiscal Year 2002
Performance Accountability Report

(Continued From Previous Page)

Agency	Fiscal year 2002 actual expenditures (in thousands)
63. Taxicab Commission	957
64. Washington Metropolitan Area Transit Commission	83
65. Washington Metropolitan Area Transit Authority	148,493
66. Water and Sewer Authority	203,027
67. Washington Aqueduct ^b	0
68. D.C. Lottery and Charitable Games Control Board	212,138
69. D.C. Sports and Entertainment Commission	3,741
70. D.C. Retirement Board	7,168
71. Housing Finance Agency ^b	0
72. National Capital Revitalization Corporation ^b	0
73. Washington Convention Center Authority ^b	0
74. School Transit Subsidy	2,894
Total	\$5,291,746

Source: Fiscal Year 2003 District of Columbia Proposed Budget and Financial Plan and District of Columbia Fiscal Year 2002 Performance Accountability Report.

^aIn fiscal year 2002, the Office of Planning, the Office of Local Business Development, and the Office of Motion Picture and Television Development were divisions of the Office of Business Services and Development (BSED). In fiscal year 2003, BSED was converted to the Office of the Deputy Mayor for Planning and Economic Development and each of the three divisions became a separate agency.

^bActual expenditures for these entities are reported in separate financial reports and are not included in the District of Columbia's expenditure reports.

Activities Not Included in the Fiscal Year 2002 Performance Accountability Report

The District of Columbia's fiscal year 2002 performance accountability report did not include goals and measures for about 10 percent of the District's budget. The District has explained why goals and measures have not been developed for some of these activities, and these explanations are noted.

Table 4 lists these agencies and funds and their fiscal year 2002 actual expenditures.

Appendix II
Activities Not Included in the Fiscal Year
2002 Performance Accountability Report

Table 4: Budget Activities Not Included in the District of Columbia Fiscal Year 2002 Performance Accountability Report

Agency/fund	Fiscal year 2002 actual expenditures (in thousands)
Agency	
1. District of Columbia Public Charter Schools	\$97,625
2. Council of the District of Columbia ^a	13,152
3. Advisory Neighborhood Commissions (ANC) ^b	521
4. Metropolitan Washington Council of Governments (COG) ^b	367
Fund	
5. Storm Water ^c	988
6. Settlements and Judgments Fund ^d	31,360
7. Unemployment Compensation Fund ^d	9,182
8. Disability Compensation Fund ^d	27,701
9. Children and Youth Investment Fund ^d	5,831
10. Incentives for the Adoption of Children ^d	904
11. Brownfield Remediation ^d	198
12. Police Officers' and Firefighters' Retirement System ^e	74,600
13. Repayment of Loans and Interest ^f	233,251
14. Repayment of General Fund Deficit ^f	38,931
15. Certificates of Participation ^f	7,924
16. Wilson Building ^g	5,945
17. PBC Transition	17,312
Total	\$565,792

Source: District of Columbia Fiscal Year 2002 Performance Accountability Report, and U.S. General Accounting Office, *District of Columbia: Performance Report Reflects Progress and Opportunities for Improvement*, GAO-02-588.

^aThe council is not under the authority of Office of the City Administrator.

^bThe District does not plan to develop goals and measures for the ANCs or COG. The ANCs have a wide range of agendas that cannot be captured in a single set of meaningful measures, and COG is a regional organization to which the District makes a membership payment.

^cLast year, the District noted that the Storm Water fund is managed by the Water and Sewer Authority (WASA), and performance measures for WASA should capture activities relevant to the fund.

^dLast year, in response to a GAO recommendation, the District agreed that it would be appropriate to develop goals and measures for these funds, but they are not included in the fiscal year 2002 report.

^eLast year, the District noted that the Police Officers' and Firefighters' Retirement System is managed by the District of Columbia Retirement Board, and performance measures for the board should capture activities relevant to the retirement system.

^fLast year, the District stated that goals and measures are not appropriate for financing funds of this type.

^gLast year, the District noted that the Wilson Building fund was managed by the Office of Property Management, and performance measures for that office should capture activities relevant to the fund.

Performance Based Budgeting Agencies

Performance based budgeting was implemented in 7 agencies in fiscal year 2003, and will be implemented for 27 additional cabinet agencies in fiscal year 2004.

Phase I: Fiscal year 2003 (7 agencies)

Office of the Chief Financial Officer
Department of Public Works
Metropolitan Police Department
Department of Human Services
Department of Transportation
Department of Motor Vehicles
Fire and Emergency Medical Services Department

Phase II: Fiscal year 2004 (27 agencies)

Government Operations

Office of the Mayor
Office of Property Management
Office of the Corporation Counsel
Office of the Chief Technology Officer
Office of the City Administrator
Office of Personnel
Office of Contracting and Procurement

Economic Development/Public Works

Office of Planning
Department of Consumer and Regulatory Affairs
Department of Housing and Community Development
Department of Insurance and Securities Regulation
Office of Banking and Financial Institutions
Office of Cable Television and Telecommunications
Deputy Mayor for Planning and Economic Development

Public Safety

Emergency Management Agency
Office of the Chief Medical Examiner
Department of Corrections

Health and Human Services

Office on Aging

Department of Health

Child and Family Services Agency

Department of Parks and Recreation

Office of Human Rights

Department of Mental Health

Education and Employment

Commission on the Arts and Humanities

District of Columbia Public Schools

Department of Employment Services

State Education Office

Comments from the District of Columbia

GOVERNMENT OF THE DISTRICT OF COLUMBIA
EXECUTIVE OFFICE OF THE MAYOR



John A. Koskinen
Deputy Mayor and City Administrator

May 9, 2003

Patricia Dalton
Director, Strategic Issues
U.S. Government Accounting Office
441 G St. NW, Room 2938
Washington, DC 20548

Dear Ms. Dalton:

This letter is in response to the draft report¹ by the General Accounting Office (GAO) on the level of compliance of the *District of Columbia's FY 2002 Performance Accountability Report* with the requirements for the Performance Accountability Report established in the *Federal Payment Reauthorization Act of 1994* (PL 103-373).

First let me thank you for the acknowledgement of the accomplishments the District has made in complying with the statute and in going beyond the statute to develop a robust performance management system. As we discussed in our meeting of May 7, a good sign of the District's progress is that each year the conversations among our staffs are less and less about issues of compliance with the statute and more about how the performance management system that underlies the Performance Accountability Report can be leveraged to drive improvements in management and service delivery.

Performance Management in the District

Before I respond to the specific recommendations in the GAO report, I want to address the broader issue of how the District uses the components of its performance management system to foster improvement in service delivery, to hold managers accountable and to provide public information on the District's progress towards its key goals. Because the Performance Accountability Report is designed to respond to specific statutory requirements, it does not include information on the breadth of our strategic planning and performance management system. Based on our conversation earlier this week, the District will include more information on the components of the complete performance management system in subsequent reports to Congress.

¹ "Performance Report Shows Continued Progress," (GAO-03-693).

Patricia Dalton
May 9, 2003
Page 2

Components of the Performance Management System

The District's Performance Management system is comprised of:

Planning Documents

- Citywide Strategic Plan
- Performance Based-Budget (serves as Performance Accountability Plan)
- Strategic Neighborhood Action Plans
- Agency Strategic Business Plans
- Agency Director Performance Contracts
- Performance Plans for Senior and Middle Managers

Reporting Documents

- Performance Accountability Report to Congress
- Individual Agency Performance Accountability Reports to Council (all agencies)
- Monthly Performance Reports (selected agencies)
- Scorecards (selected agencies)

Evaluation Documents

- Performance Evaluations for Agency Directors
- Performance Evaluations for Senior and Middle Managers

The Strategic Management Cycle

Planning: Since 1999, the District has held a Citizen Summit every two years. The next Summit will be in November 2003 and more than 3,000 citizens will review a draft of the District's FY 2005-2006 Citywide Strategic Plan.² The Summits provide residents with a way to identify citywide priorities. Leading up to the second Citizen Summit, the District held community-based meetings in 39 neighborhood clusters to identify neighborhood specific priorities to complement the citywide goals.

Concurrent with the development of the Citywide Strategic Plan, agencies that made the transition to the District's Performance-Based Budgeting (PBB) for FY 2003-2004³ prepared FY 2002-2004 Strategic Plans. Each year, the Office of the City Administrator prepares agency director one-year performance contracts based on those strategic plans.

As OCA and agency directors negotiate the content of performance contracts, more than 1,300 senior and middle managers in the District's Excepted and Management Supervisory Services

² Attachment I is a list of websites where interested parties can access some of the documents described in this letter.

³ Agencies designated PBB I or PBB II in FY 2002 Performance Accountability Report, Table I, pp. 14-18. Seven PBB I agencies prepared FY 2003 performance-based budgets; 27 PBB II agencies prepared FY 2004 performance-based budgets.

Patricia Dalton
May 9, 2003
Page 3

draft performance plans that set out specific, measurable goals on which they will be evaluated.⁴ Agency directors are evaluated on the percentage of employees that complete performance plans within the first quarter of the fiscal year. In FY 2002, only 77 percent of employees eligible for the Performance Management Program completed performance plans; the District increased that percentage to 99 percent prior to the end of the first quarter of FY 2003.

Agencies will be directly involved in the review of the current Citywide Strategic Plan so the District has a draft plan to share with residents this fall. Through this work in preparing the draft FY 2005-2006 Citywide Strategic Plan, agencies will be positioned to update their strategic business plans and performance-based budgets on a basis that is consistent with the new Citywide Strategic Plan.

Implementation and Reporting: Each month agencies whose directors have performance contracts with the Mayor prepare a monthly report for the Mayor and Deputy Mayors that indicates the agency's progress in achieving its strategic goals. Halfway through the year, the Office of the City Administrator begins issuing feedback memos to each agency that prepares monthly reports asking for clarifications on goals and measures where the agency is lagging behind projected performance. Agencies are required to address the areas questioned in the next monthly report, including proposing plans to mediate problems and, if possible, get back on track to meet the full-year targets. As a result, the Mayor and Deputy Mayors track agency performance throughout the entire year and are able to intervene and provide assistance to agencies that were experiencing challenges meeting their targets. While this ongoing monitoring and feedback is provided to just under half of the District agencies, those agencies comprise more than 80 percent of the District's local budget.

In addition, each agency whose director has a performance contract with the Mayor designates three to five performance measures as Scorecard Goals. The District updates the Scorecard results on a quarterly basis and posts them on the District website. Agencies also display posters of their quarterly Scorecard results in their headquarters and other facilities throughout the city.

Evaluation: At the end of each fiscal year, agency directors with performance contracts with the Mayor prepare a self-evaluation that is reviewed and commented on by OCA staff. OCA prepares evaluation reports that address each agency's strategic goals as well as 10 District-wide initiatives that all agencies are responsible for implementing. The common clauses, which we have designated "operational support," address areas including, but not limited to customer service, risk management, human resource management, performance reporting and contracting and procurement. Each director's performance rating consists of 60 percent assigned to strategic goals and 40 percent assigned to operational support. During November-December of each year, the Mayor meets individually with the 30 agency directors and five Deputy Mayors who have performance contracts with him to review their performance. At the end of the evaluation cycle, the Deputy Mayors meet as a group to review the OCA preliminary performance ratings and to prepare recommendations to the Mayor regarding performance bonuses. Due to the District's

⁴ Employees who do not have managerial responsibilities, including front-line union employees, participate in the Performance Evaluation System. The timing of the expansion of the Performance Management Program (PMP) to all District employees will be discussed in the next round of labor negotiations for FY 2007-2009.

Patricia Dalton
May 9, 2003
Page 4

financial pressures, the Mayor decided not to award FY 2002 bonuses at a time when agencies were making cuts in various parts of their budgets.

Concurrent with the directors' performance evaluation cycle, the employees in the Performance Management Program must complete their performance evaluations for the prior fiscal year. Agency directors are also rated on the percentage of employees that complete performance evaluations. .

Finally, all agencies—cabinet and non-cabinet alike—prepare Performance Accountability Reports for Council in January of each year that are the basis of annual oversight hearings. The Office of the City Administrator compiles those reports into the consolidated Performance Accountability Report to Congress, which is the report you and your staff review.

This brief overview is intended to give you a flavor of the scope of the District's performance management system, of which the Performance Accountability Report is only one component. The Performance Accountability Report is presented to Congress once a year but the Mayor, Deputy Mayors, agency directors and senior managers are making regular use of the performance data to be sure that all parties are progressing towards their annual goals. In effect, they are managing against the data.

Responses to U.S. General Accounting Office Recommendations

The U.S. General Accounting Office (GAO) has made four recommendations for the District to address the few remaining compliance issues and to improve the overall content of future accountability reports.

1. Prioritize the development of data collection standards and distribute guidelines to all city agencies. Data limitations should also be documented and disclosed in the report.
2. Expand the coverage of the accountability report to include goals and measures for all of its major activities as well as related expenditures.
3. Include more complete information on the steps taken to comply with court orders during the year. The District should also consider monitoring the costs of complying with court orders.
4. Conduct additional analysis of information captured in the reports to assist in managing overall performance and achieving strategic goals.

Data Quality

The District plans to implement the data collection standards manual initiative with the first seven PBB agencies this summer or early fall. The Office of Budget and Planning (OBP) has started the hiring process for the two staff that will support this effort—the timing of their arrival will determine the start date. At a minimum, the District will complete the draft guidelines for the first seven PBB agencies by fall 2003. Those agencies will complete their data collection

Patricia Dalton
May 9, 2003
Page 5

manuals by the second quarter of FY 2004. We will share the draft guidelines with all agencies when the PBB pilot agencies begin, but we will not require the 27 FY 2004 PBB agencies to begin work until the second or third quarter of FY 2004.

In addition, the FY 2003 Performance Accountability Report will include a discussion of the status of the data collection manual project as it applies to the first seven agencies' published data. Finally, the report will include a statement of the limitations of the performance data for the other 60+ agencies covered in the report.

Coverage of Significant Activities

GAO notes that the District has not set goals or measures for the DC Public Charter Schools or for selected special funds.

DC Public Charter Schools: In the FY 2001 Performance Accountability Report, the District proposed applying the DC Public Schools (DCPS) goals and measures to DC Public Charter Schools (DCPCS). This solution proved to be unworkable. DCPS was engaged in the PBB initiative during the FY 2004 budget development cycle; however, they were on a timetable independent from the rest of the PBB cohort. The updated goals and measures were not prepared or shared with OBP and OCA until late in the process and there was not sufficient time to share them with DC Public Charter Schools to determine which, if any, were appropriate.

OCA will work with the State Education Office to establish FY 2004 goals and measures for the DC Public Charter School Board prior to October 1, 2003. To the extent possible, the District will include FY 2003 data for those measures without targets as we displayed DCPS data in the FY 2002 report.

Special Funds: During the FY 2004 budget formulation cycle, OCA and OBP prioritized supporting the 27 new and 7 pilot PBB agencies in developing their strategic business plans and identifying goals and measures for specialized funds was deferred until the end of the FY 2004 budget development cycle. OCA and OBP have discussed identifying simple output measures for those funds to include in the FY 2004 budget submission to Congress. However, production time is very limited and we may defer that until after submission but are committed to identifying those measures and setting FY 2004 targets prior to October 1, 2003. As there are no FY 2003 targets for these funds, the District will report FY 2003 results without targets as described for DC Public Charter Schools, above.

Link performance results to financial data: In the long run, this is one of the benefits of the performance-based budget initiative as all agencies will manage and report results tied to financial data. The Office of the City Administrator and the Office of Budget and Planning had already discussed developing a pilot reporting project that presented performance and financial data for the seven pilot PBB agencies. We will begin this initiative in summer 2003 and will include selected financial data for those seven agencies in the FY 2003 Performance Accountability Report. The District will continue to expand the agencies that present both performance and financial data in accountability reports consistent with the PBB implementation schedule that continues through FY 2006.

Patricia Dalton
May 9, 2003
Page 6

Reporting on Court Orders

Detail Steps Taken to Address Court Orders: The District acknowledges that, although the summary status statements in the current report format provide some information on the steps taken to address court orders, they do not provide much detail. The Risk Tracking System (RTS) that has been established by the relatively new Office of Risk Management will provide a much more detailed record keeping system that will facilitate providing more information on at least the Qualifying Orders in the current report as well as any new cases/court orders that meet the selection criteria for inclusion in the Performance Accountability Report. The FY 2003 report will include additional detail on the steps taken for the Qualifying Orders as well as a general discussion of how the RTS is being used on managing and tracking a wide range of legal issues.

Provide Cost of Compliance Data: OCA has spoken with the director of the Office of Risk Management about this issue. He concurs that the RTS should include cost of compliance data. The Risk Management Council, composed of risk managers from city agencies, will begin to discuss how to incorporate this data into the RTS at its mid-May 2003 meeting. As this is an entirely new type of data for agencies to track and we are asking them to identify the costs more than halfway through the fiscal year, it is difficult to predict the nature or format of the report in FY 2003. At a minimum, the FY 2003 report will describe progress on identifying "costs of compliance" for the Qualifying Court Orders in Effect. If possible, we will ask the Office of Corporation Counsel and agencies to identify full-year costs for the Qualifying Orders.

Additional Analysis of Data

As discussed earlier in this letter, the District reviews the performance data for cabinet level agencies on an ongoing basis to identify potential shortfalls and, if possible, correct them before the end of the year. In the FY 2003 Performance Accountability Report, the District will describe how agencies and Deputy Mayors monitor and respond to this data more fully than in prior reports. In addition, the District will provide analysis of areas not addressed in prior reports.

At a summary level, the District will discuss progress on the FY 2003 goals specified in the Citywide Strategic Plan, provide the distribution of goal ratings that GAO had to compile from our report and highlight selected significant agency accomplishments or shortfalls. At an agency-by-agency level, the District will provide selected financial data for seven PBB pilot agencies as well as provide analysis of the linkages between the financial and performance data. As this is also a new area of analysis, it is difficult to project how this information will be displayed.

Financial Constraints

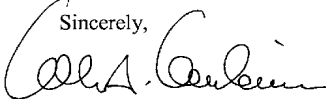
As we discussed, many of your staff's suggestions are consistent with the direction the District would like to go to enhance its performance management and reporting systems. Reviewing other jurisdictions' performance reports for graphics and data presentation would indeed make the district's report more accessible. Accelerating the timetable by when the District will have agencies document their performance measurement methodologies in data collection manuals is a laudable goal. Actively auditing agency data prior to submitting the Performance

Patricia Dalton
May 9, 2003
Page 7

Accountability Report to Congress would indeed increase the confidence of Congressional committees and GAO reviewers in the reliability of the District's performance reports.

However, the Office of the City Administrator and the Office of Budget and Planning, like all District agencies, face much tighter financial constraints than in years past. Our performance management staff of two has their hands full managing the system we have in place. The City Council was forced by the budgetary constraints all states and cities are facing to cut Budget Office funds that were to be dedicated to benchmarking District agency performance against other jurisdictions. We hope to make progress on all of these fronts with the staff and resources we have, but there is a limit to how many new initiatives both offices can take on while managing the processes we have in place. Your offer to let the District review the statistical profiles GAO staff compiled for the report on the District's structural imbalance will position us to make some headway in benchmarking in FY 2003-2004 that we would not have otherwise made.

As I said in our meeting earlier this week, I want to thank you and your staff for all of the time you have committed to working with us, the energy devoted to the task and the many valuable observations. Many of GAO's suggestions go beyond the scope of the statute but we welcome this collegial, advisory relationship and look forward to continuing it in the future.

Sincerely,


John A. Koskinen

Patricia Dalton
May 9, 2003
Page 8

Attachment I
Web-based Components of the
District's Strategic Planning and Performance Management System

Planning Documents

- Citywide Strategic Plan
<http://www.neighborhoodaction.dc.gov/>
- Proposed Budget and Financial Plan (serves as Performance Accountability Plan)
<http://www.dc.gov/mayor/budget/proposed/index2.shtm>
Version on-line is Mayor's Budget submitted to Council, March 2003. Budget submission to Congress will be posted on-line in June 2003.
- Strategic Neighborhood Action Plans
<http://www.neighborhoodaction.dc.gov/>
- Agency Strategic Business Plans
To be posted on the District's Website in June 2003

Reporting Documents

- Scorecards (selected agencies)
<http://www.dc.gov/mayor/scorecards/index.shtm#content>

Related GAO Products

Performance Budgeting: Current Developments and Future Prospects. [GAO-03-595T](#). Washington, D.C.: April 1, 2003.

Performance Budgeting: Opportunities and Challenges. [GAO-02-1106T](#). Washington, D.C.: September 19, 2002.

District of Columbia: Performance Report Reflects Progress and Opportunities for Improvement. [GAO-02-588](#). Washington, D.C.: April 15, 2002.

Managing for Results: Agency Progress in Linking Performance Plans With Budget and Financial Statements. [GAO-02-236](#). Washington, D.C.: January 4, 2002.

District of Columbia: Comments on Fiscal Year 2000 Performance Report. [GAO-01-804](#). Washington, D.C.: June 8, 2001.

District of Columbia Government: Progress and Challenges in Performance Management. [GAO-01-96T](#). Washington, D.C.: October 3, 2000.

District of Columbia Government: Performance Report's Adherence to Statutory Requirements. [GAO/GGD-00-107](#). Washington, D.C.: April 14, 2000.

Managing for Results: Using GPRA to Help Congressional Decisionmaking and Strengthen Oversight. [GAO/T-GGD-00-95](#). Washington, D.C.: March 22, 2000.

Executive Guide: Effectively Implementing the Government Performance and Results Act. [GAO/GGD-96-118](#). Washington, D.C.: June 1996.

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