

Improving Performance: Integrating Planning, Budgeting, and Performance

CAM-I/CMA Conference

September 6, 2006

Increased focus on governance

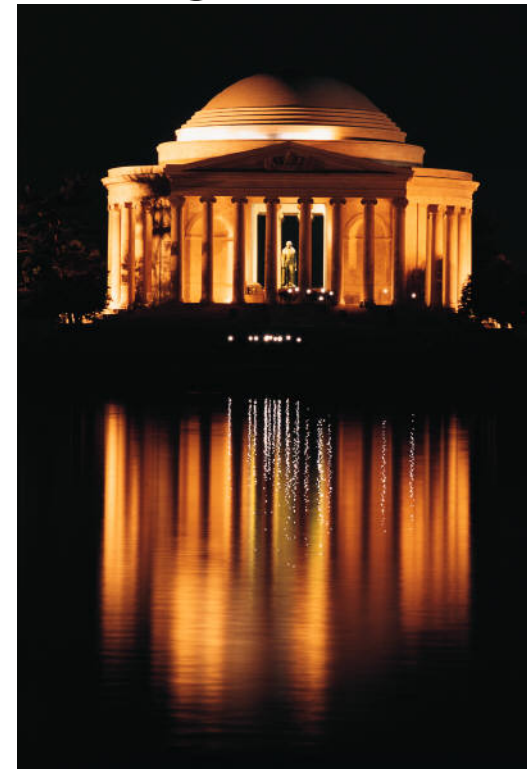
- Regulations for publicly-traded companies focus attention on integrity of financial reporting.... **Doing things right**
 - Gomery inquiry recommendations focus on “making sure managers manage” ... again ... **Doing things right**
- ... But governors and owners need to make sure organizations not only **DO THINGS RIGHT** but also that they **DO THE RIGHT THINGS**

Management, Resources and Results Structure

- Evolution of the 1996 Planning, Reporting and Accountability Structure
- As of April 1, 2005, federal Departments are required to comply with the **MRRS** policy:
 - Strategic Outcomes
 - Program Activity Architecture – activities, resource allocations, expected results
 - Governance Structure

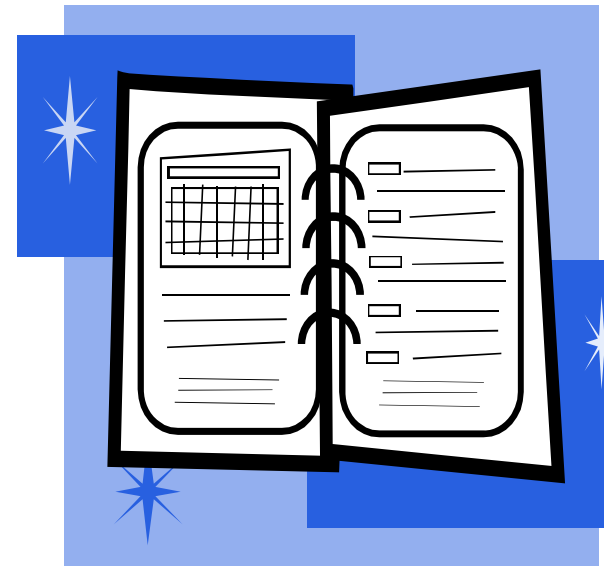
Objectives for Today's Presentation

- Reflect on the lessons learned from the US **Budget and Performance Integration** initiative and how these lessons apply to all organizations and businesses



Agenda

- President's Management Agenda & Scorecard
- Budget and Performance Integration (BPI)
- Examples
 - Department of Labor
 - Fish and Wildlife Service
- Keys to Success



President's Management Agenda

"Government likes to begin things – to declare grand new programs and causes. But good beginnings are not the measure of success. What matters in the end is completion. Performance. Results. Not just making promises, but making good on promises."

George W. Bush

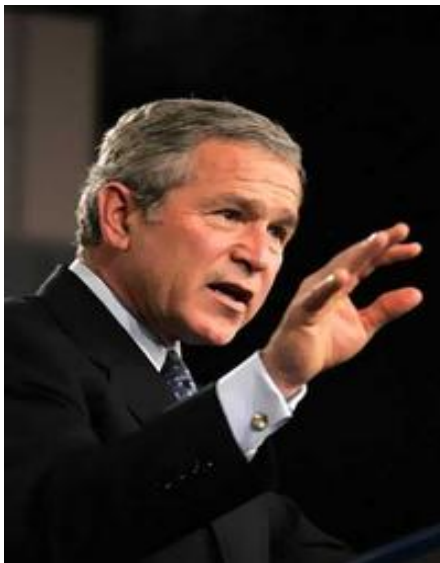
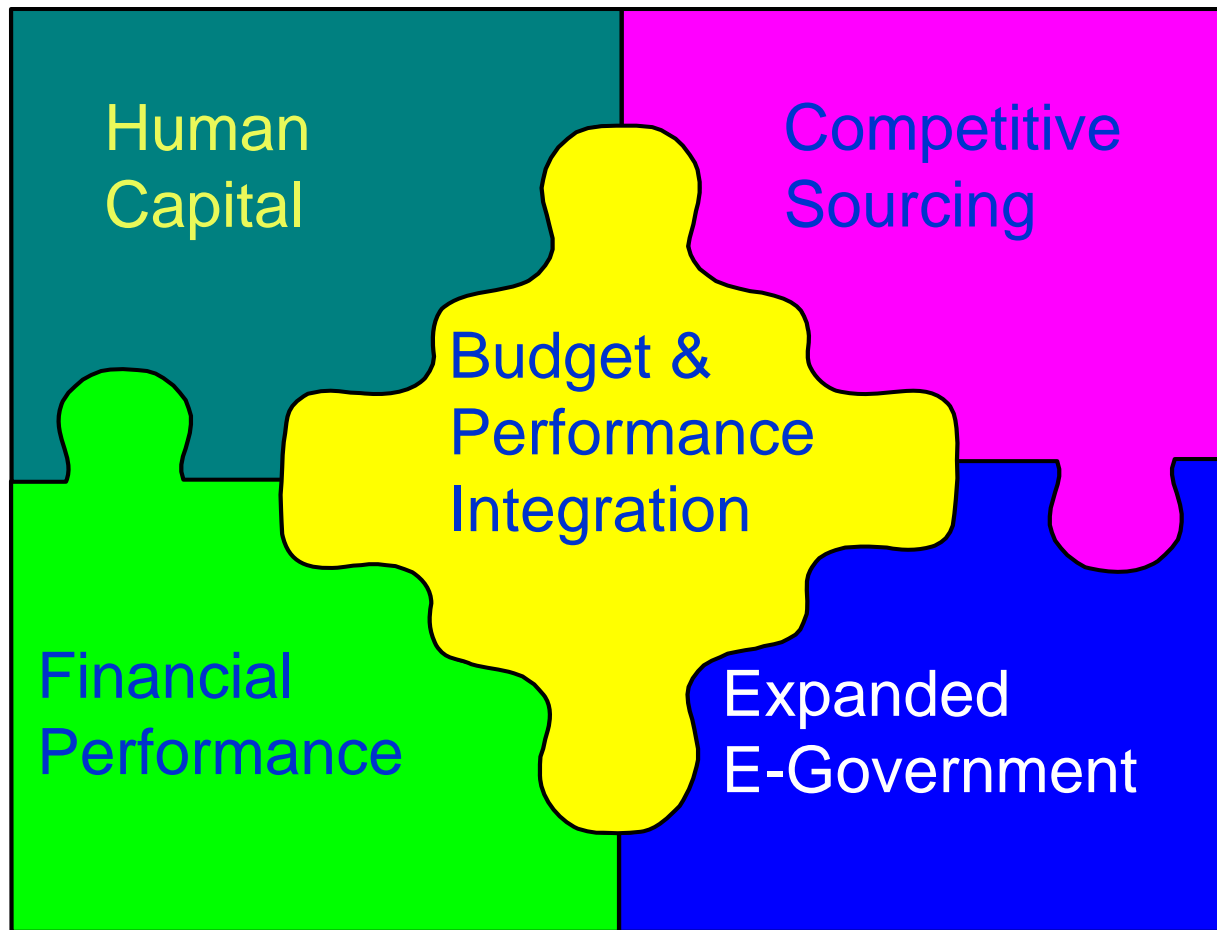


Photo: AFP

BPI is central to the PMA



President's Management Agenda

- Core Principles
 - Shift the burden of proof
 - Focus on the "base" not the "increment"
 - Focus on results
 - Impose consequences
 - Demand evidence



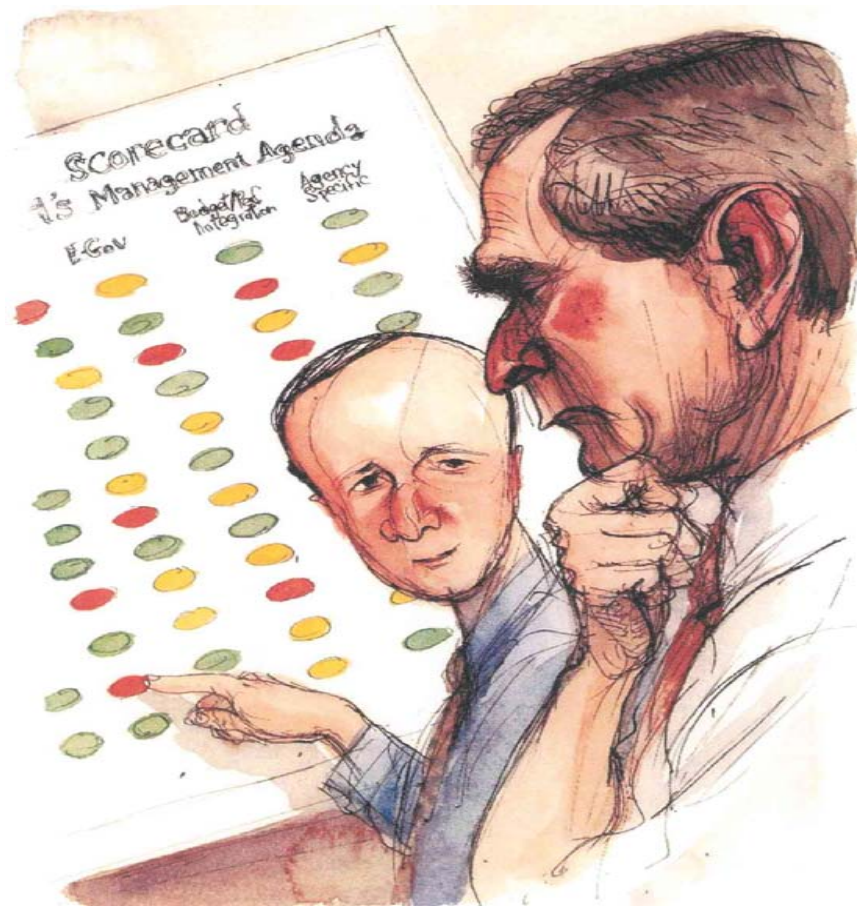
History of Performance Budgeting

- 1950 Budget and Accounting Procedures Act (BAPA)
- 1965 Planning, Programming, and Budgeting System (PPBS)
- 1973 Management by Objective (MBO)
- 1977 Zero-Base Budgeting (ZBB)
- 1990 Chief Financial Officers (CFO) Act
- 1993 Government Performance and Results Act (GPRA)
- 1995 Statement of Federal Financial Accounting Standards No. 4 (SFFAS4)
- 1995 Reinventing Government (VP Gore)
- 2001 President's Management Agenda (PMA)
 - Budget and Performance Integration (BPI)

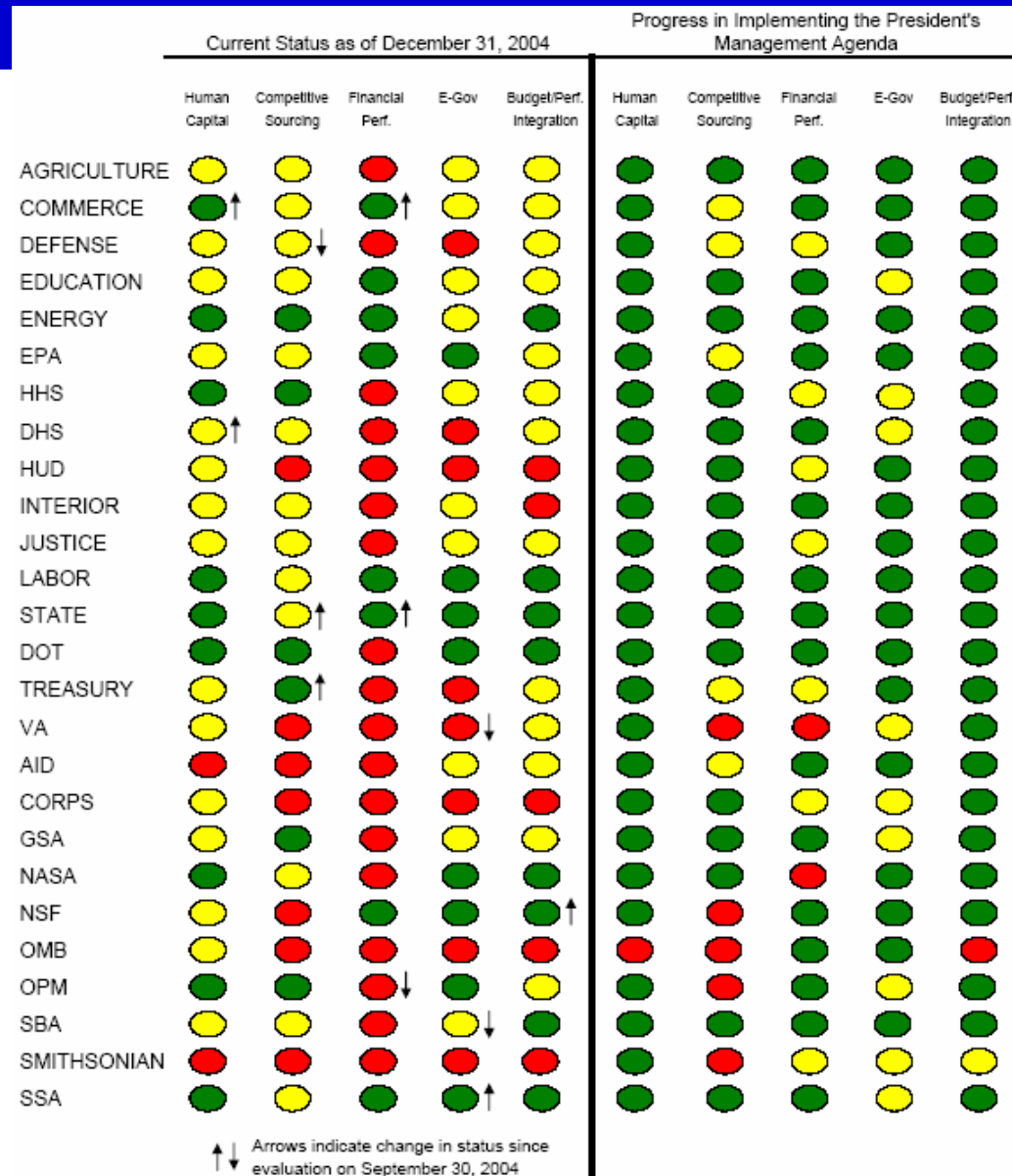


What's Different This Time?

The President and OMB are Keeping Score!



Executive Branch Management Scorecard

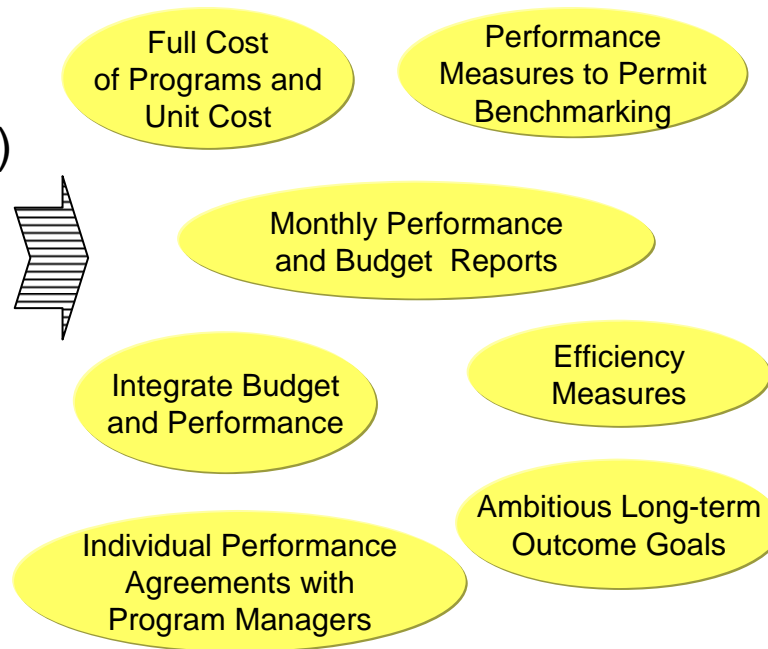


Compliance requires alignment of mission, outcome, cost and performance...

Law/Policy:

- Government Performance Results Act (GPRA)
- President's Management Agenda (PMA)
- Program Assessment rating Tool (PART)
- OMB Circular A-11

Requirements:



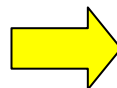
Integrated Performance Management:

- Strategic Planning & Management
- Planning & Budgeting
- Cost and Performance Management
- Governance & Accountability

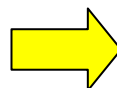
...But Success Requires a Burning Platform!!!

Business Issues

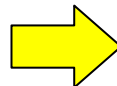
What is our business? What does it cost? How does it help citizens?



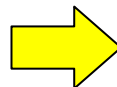
What are the costs of achieving strategic and performance goals?



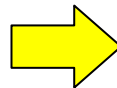
Why do the costs vary across offices or locations?



Would competitive sourcing be economical?



How can we charge for shared services? LOB services? Fees?



Cost Management Information



Cost alignment of outcomes and outputs



Full cost of programs



Benchmarking unit costs and best practices

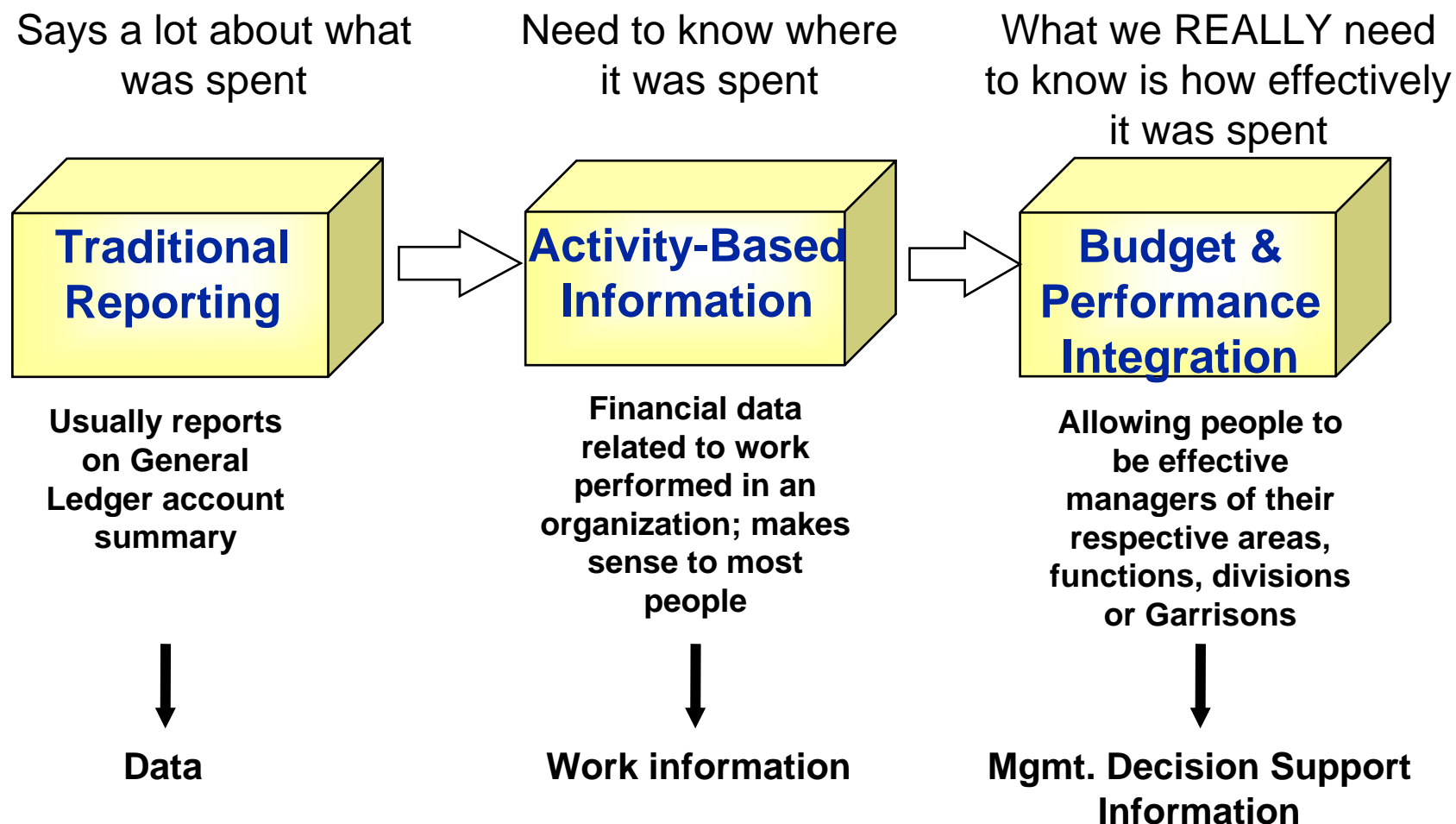


Costs of FAIR Act inventory



Full cost recovery through full cost information

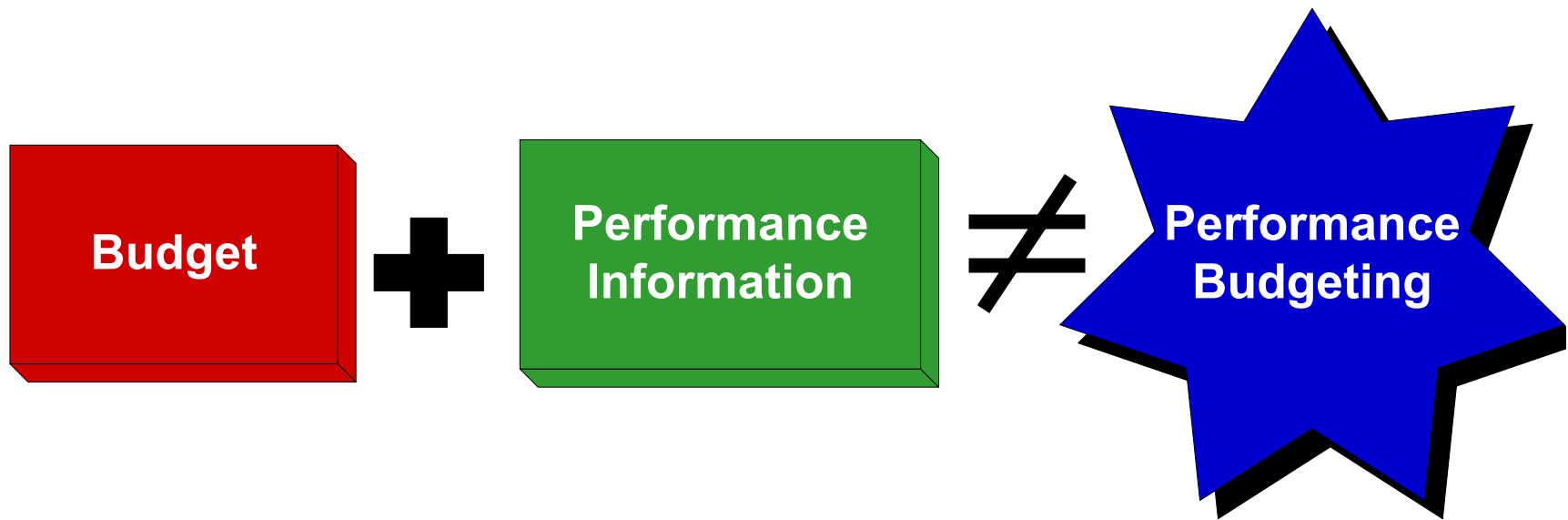
New Paradigm – Budget & Performance Integration



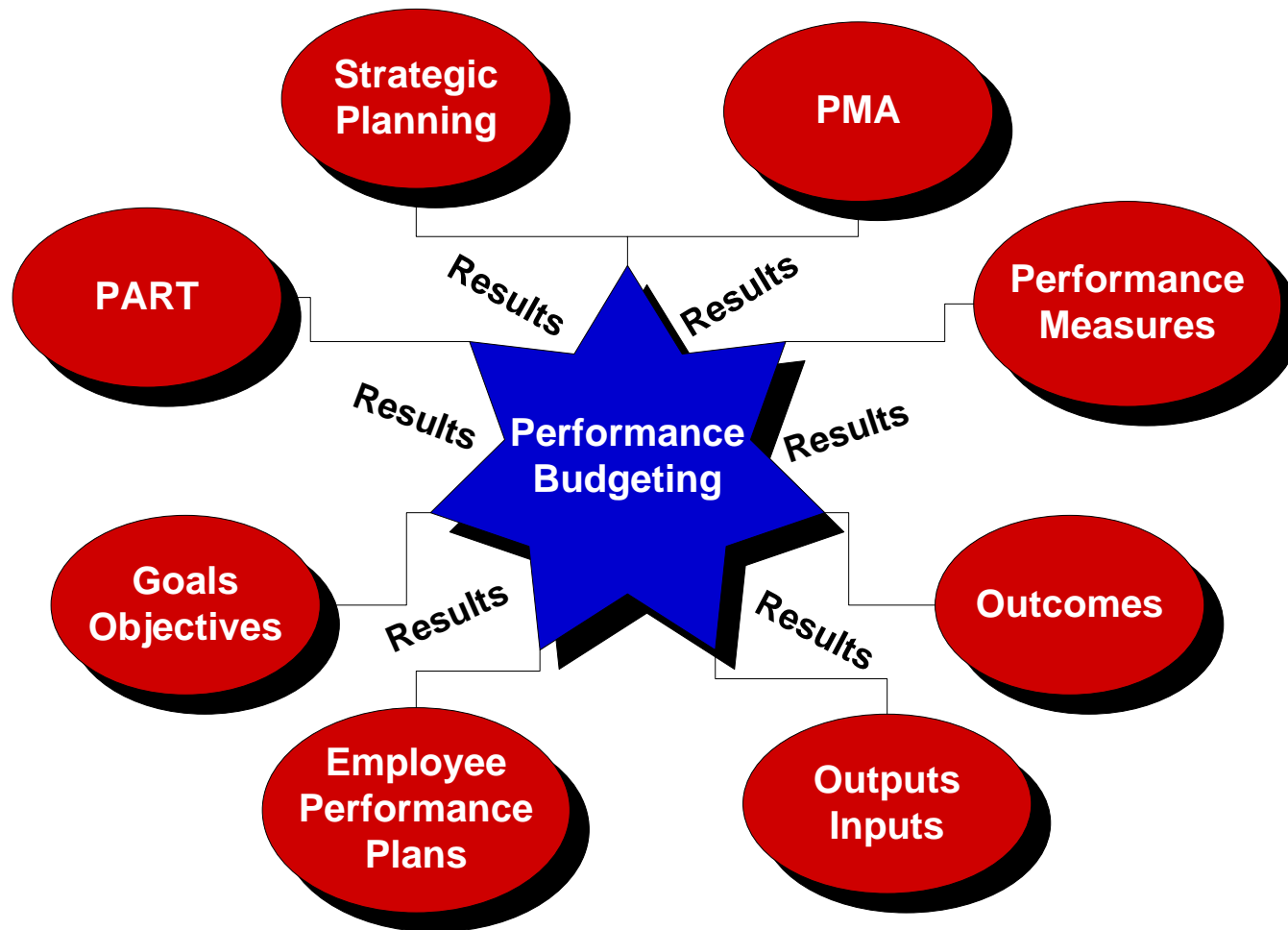
BPI aligns resources, outputs, and outcomes

- Links resources requested to expected strategic and programmatic outcomes
- Shifts focus from items of expense (travel, equipment) to allocation of resources based on program goals and measured results
- Moves beyond outputs/inputs to outcomes
 - Old: Conduct 1,000 office safety inspections
 - New: Conduct 1,000 office safety inspections to improve workplace safety as measured by the fatal injury incidence rate

BPI is NOT



BPI IS



BPI Criteria for "Getting to Green"

- Senior Managers Meet
- Strategic Plans
- Personnel Performance Appraisal Plans
- Full Cost / Marginal Cost
- Efficiency Measures
- PART Evaluations

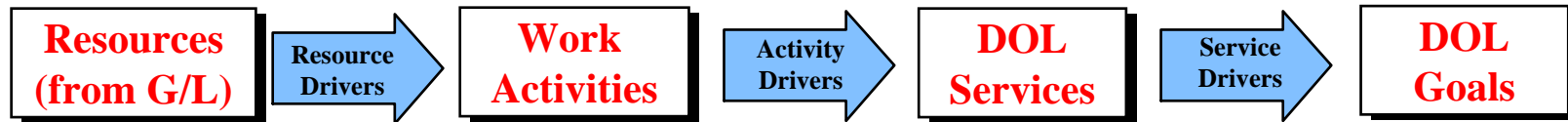


What are Agencies doing to "Get to Green?"

- A view from the **TOP**: U.S. Department of Labor
- A view from **BELOW**: U.S. Department of Interior



U.S. Department of Labor: Integrating Cost, Budget and Performance through Activity-Based Costing (ABC)



Traditional View		Process/Activity View		Service View			Strategic Goal View	
OBJECT CLASS	COST (\$K)	PROCESS	COST (\$K)	OUTPUTS	TOTAL COST (\$K)	UNIT COST (\$K)	GOAL	COST (\$K)
Personnel Comp	\$ 2,183	Process Complaints	\$ 272	105c Cases:			Prepared Workforce	\$
Rent/Comm.	\$ 26	Conduct Investigation	\$ 347	North Central	\$ 110	\$ 2.3	Secure Workforce	\$
Supplies	\$ 13	Travel Time	\$ 346	Northeast	\$ 51	\$ 12.8	Quality Workplaces	\$
Travel	\$ 152	Prepare Report	\$1,156	Rocky Mt.	\$ 120	\$ 7.0	Competitive Workforce	\$
		Supervise Investigations	\$ 254	South Central	\$ 130	\$ 5.2		
				South East	\$ 53	\$ 7.6		
				Western	\$ 105	\$ 8.8		
				110 Cases:				
				North Central	\$181	\$ 3.6		
				Northeast	\$235	\$ 6.3		
				Rocky Mt.	\$227	\$ 6.5		
				South Central	\$129	\$ 2.4		
				South East	\$129	\$ 5.9		
				Western	\$227	\$ 5.5		
				HQ	\$679			
							</	

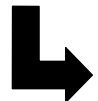
*Data Source: MSHA Special Investigations Cost Accounting Pilot Report (FY 2001)


Alignment of Outcomes and Outputs is Essential


Regulatory Agency				
Strategic Goal	Outcome Goal	Agency Strategic Goal	Agency Performance Goal	Output
Secure Workforce				
	▪Increase compliance with worker protection laws	▪Deter and correct violations of the relevant statutes	▪Enhance worker benefits security	<ul style="list-style-type: none"> • # of investigations conducted • # of indictments
	▪Protect worker benefits	▪Assist workers in understanding their rights	▪Provide technical assistance to participants	<ul style="list-style-type: none"> •# of technical assistance visits • # of workshops conducted
Quality Workplaces				
	▪Reduce workplace injuries, illnesses, and fatalities	<ul style="list-style-type: none"> ▪Reduce workplace injuries, illnesses, and fatalities in factories ▪Reduce exposure to health hazards 	<ul style="list-style-type: none"> ▪Reduce fatal injury incidence rate ▪Reduce percentage of particle samples exceeding applicable standards 	<ul style="list-style-type: none"> ▪No. of investigations conducted ▪No. of cases handled ▪No. of regulations promulgated ▪No. of assessed violations

Outputs and Activities are linked to Strategic Goal

Strategic Goal: Protect Worker Benefits

 **Output:** Benefit Recovery (by):
Recovery Actions
Dollars Recovered
Employees Served

 **Activities:**
Provide Technical Assistance
Educate Workers
Operate Call Center/Hotline
OR
Educate Workers via:
Seminars
Publications
Web Site

 **Resources:**
Salary & Benefits
Rent
Travel
Contracts
Telecomm
IT
Printing

High-Level

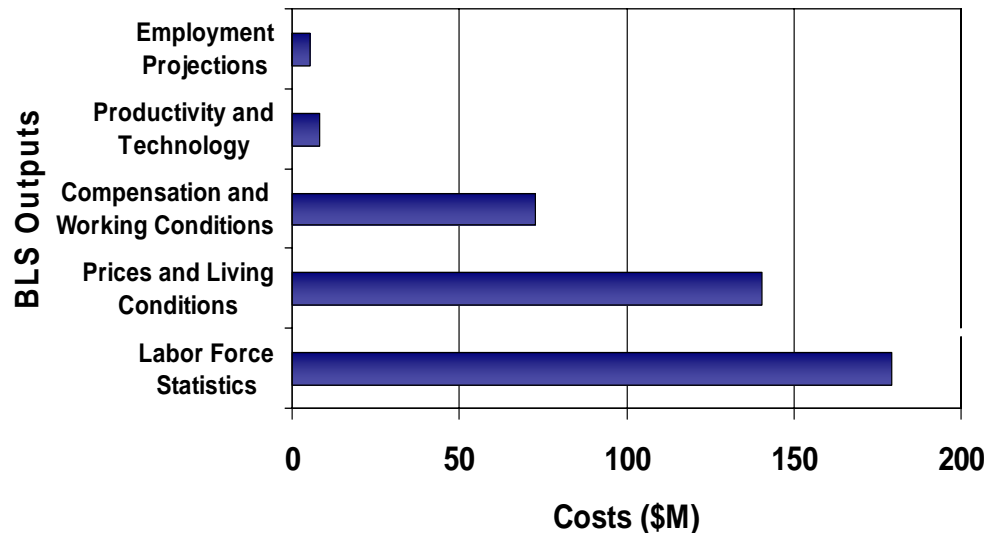
More Detailed

DOL Example: Cost Information Drives Strategic and Performance Goals

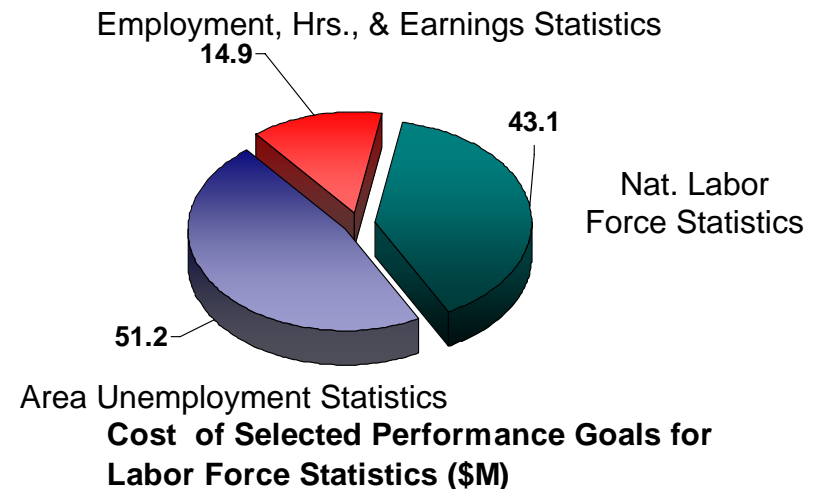
- ***What are the costs of achieving DOL's strategic and performance goals?***

Example: Bureau of Labor Statistics

- **Identify costs of BLS outputs**



- **Link output costs to performance goals**



* Data source: BLS Cost Accounting Pilot Report and BLS Budget Documents (FY 2001)

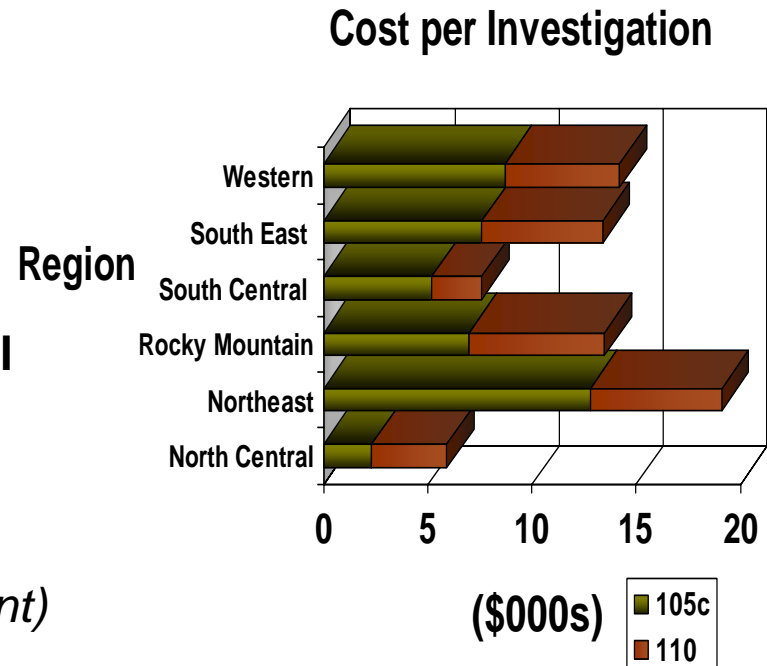
DOL Example: Cost Information Enables Comparative Benchmarking

- ***Why does the cost of similar processes vary across Regions?***

Example: MSHA

- **Determine the cost drivers for conducting investigations**
- **Benchmark best practices from regional offices to develop a standard process**

*Analysis can be applied to other processes
(e.g., Benefits Delivery, Grants Management)*

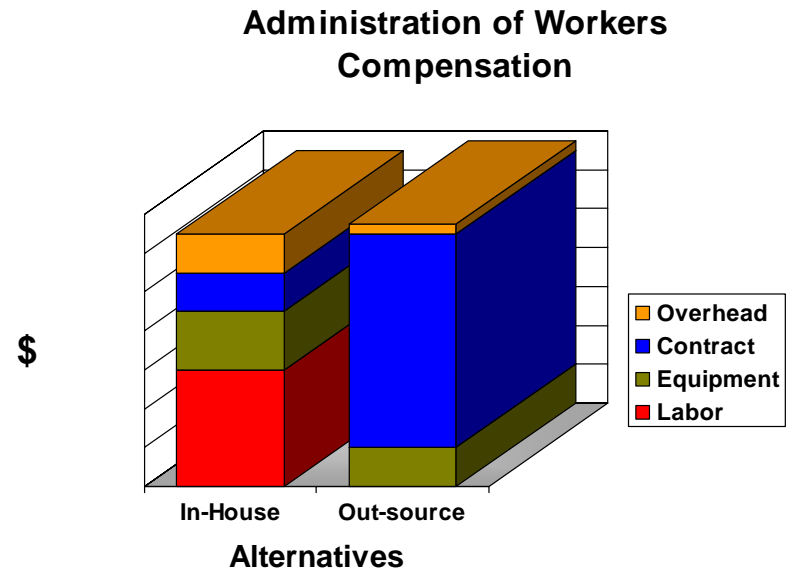


*Data Source: MSHA Special Investigations Cost Accounting Pilot Report (FY 2001)

DOL Example: Cost Information Supports Competitive Sourcing Decisions

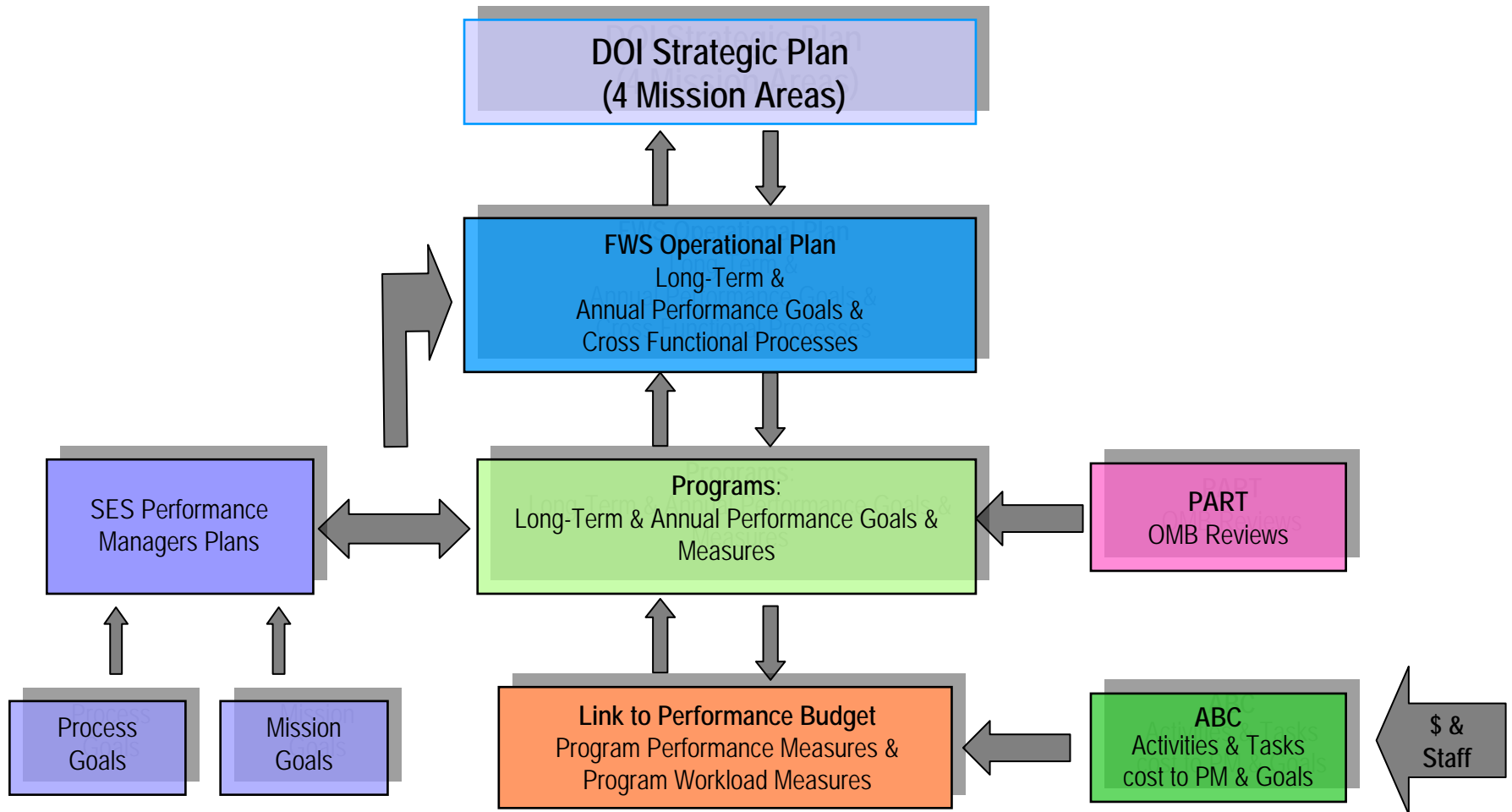
- *Would competitive sourcing be economical?*

- Identify the cost of performing a process in-house
- Compare in-house costs with total cost to outsource (including internal overhead)

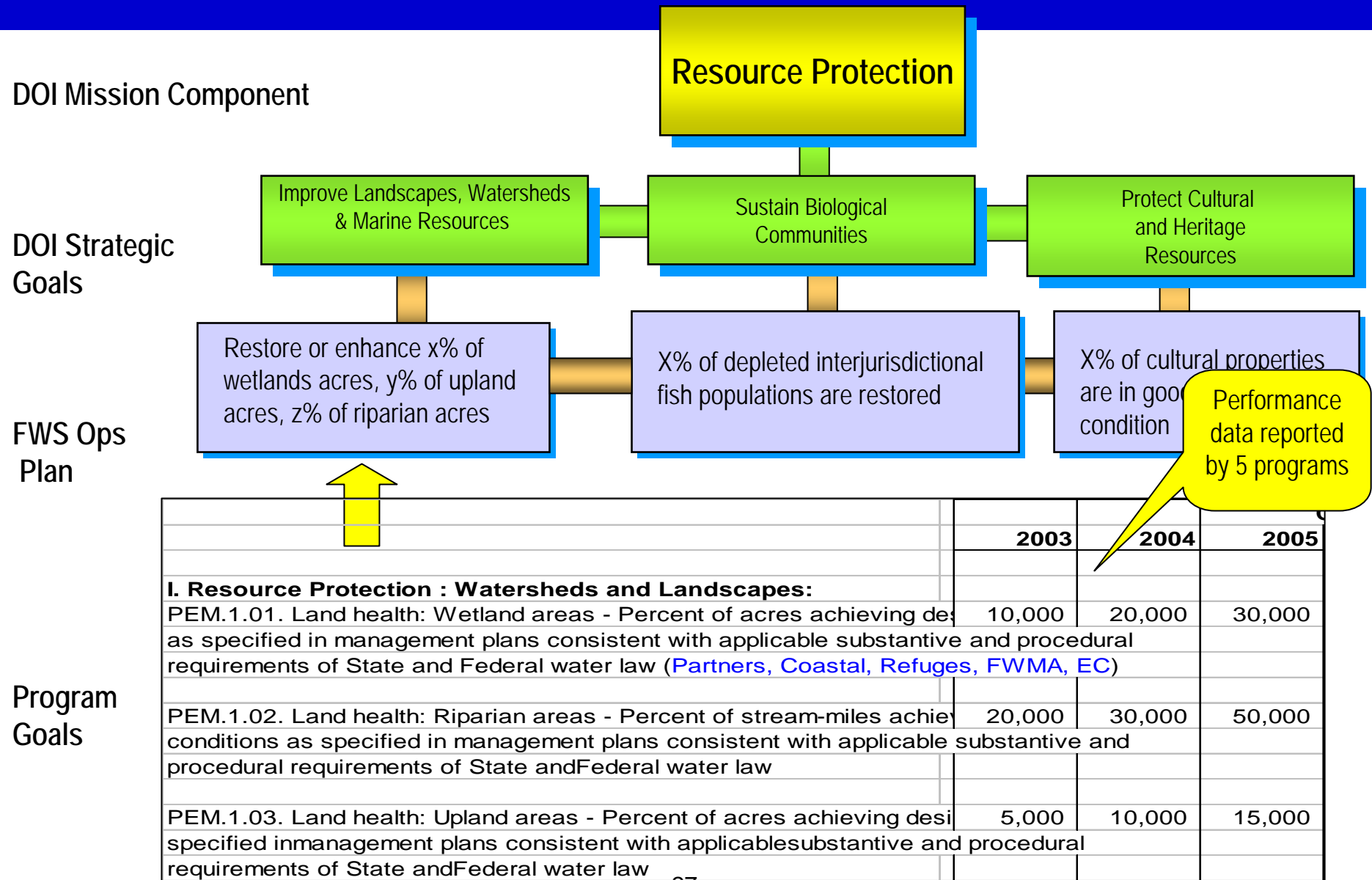


* Data for illustrative purposes only

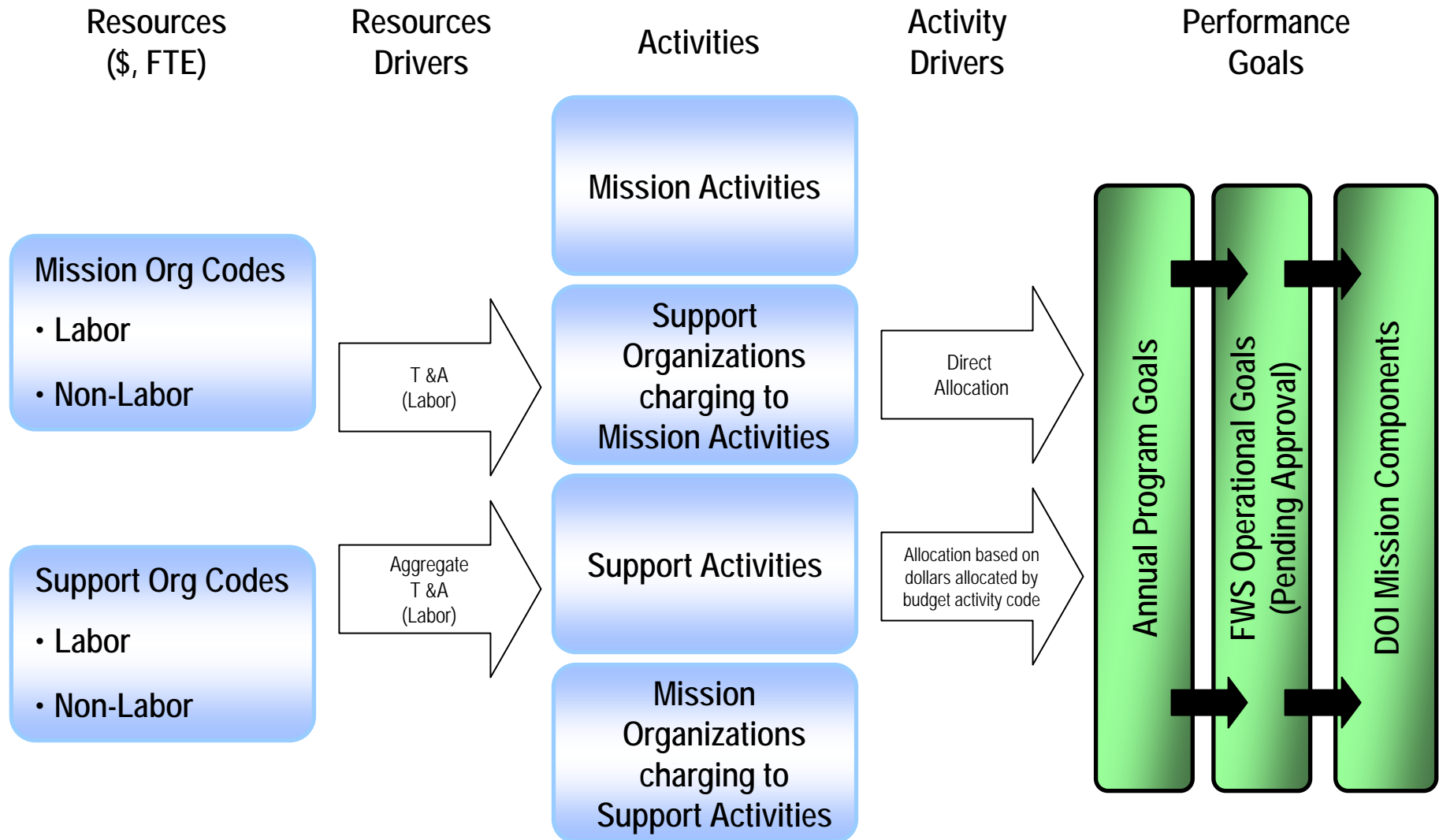
Performance Management Framework: Fish and Wildlife Service (FWS)



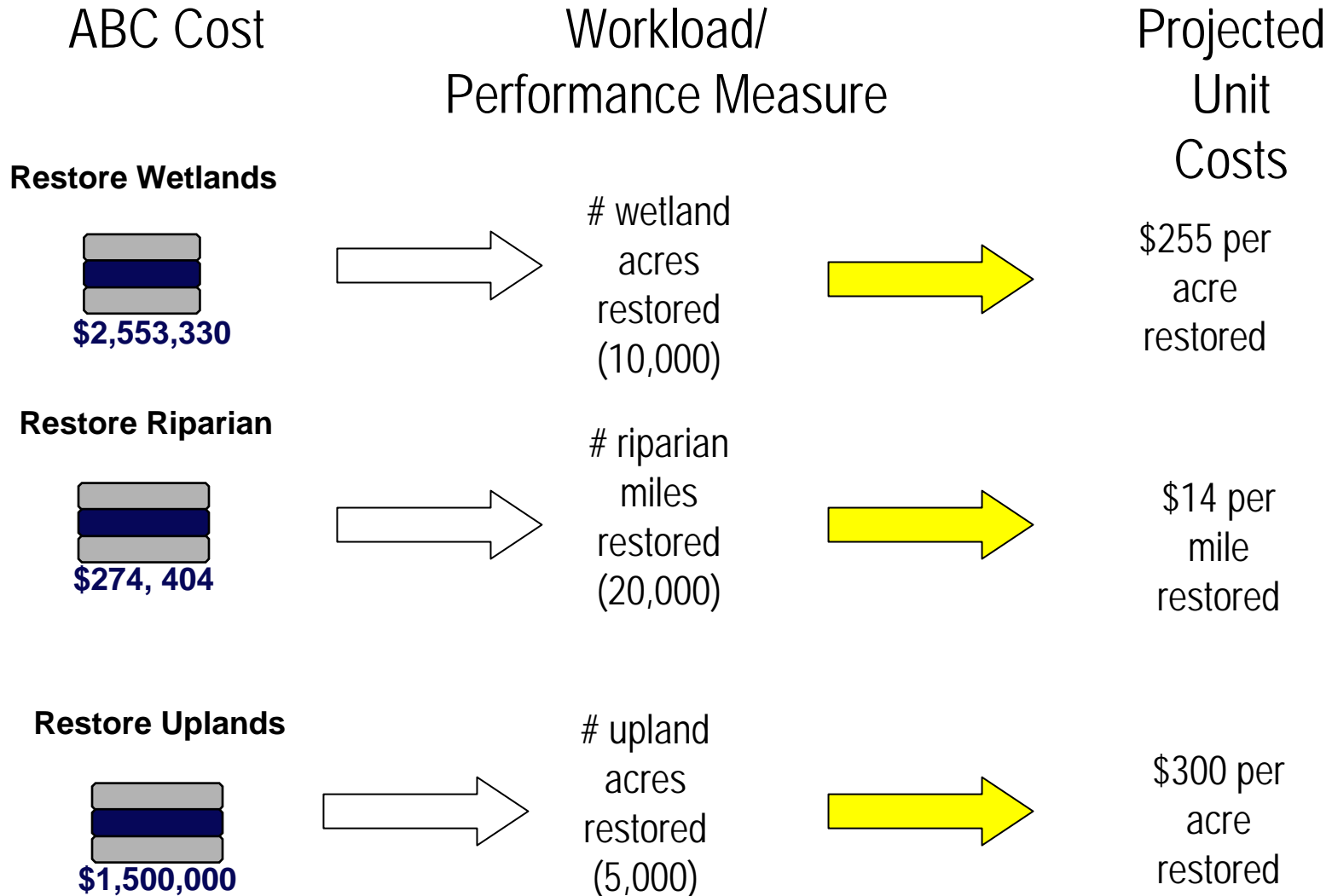
Aligning program, FWS, and DOI goals



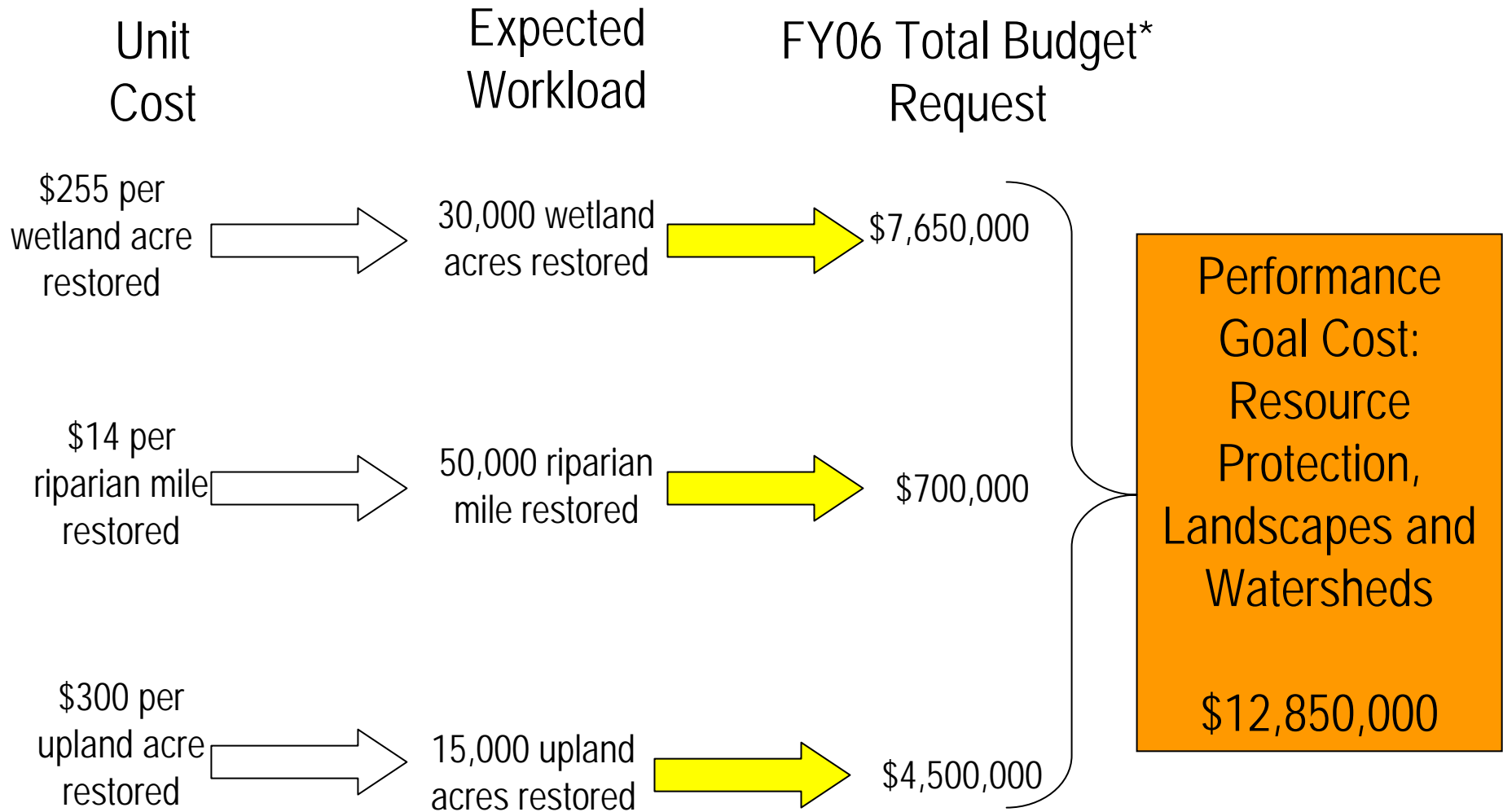
Aligning Costs, Activities and Goals through Activity-Based Costing (ABC)



Budgets built around ABC intelligence



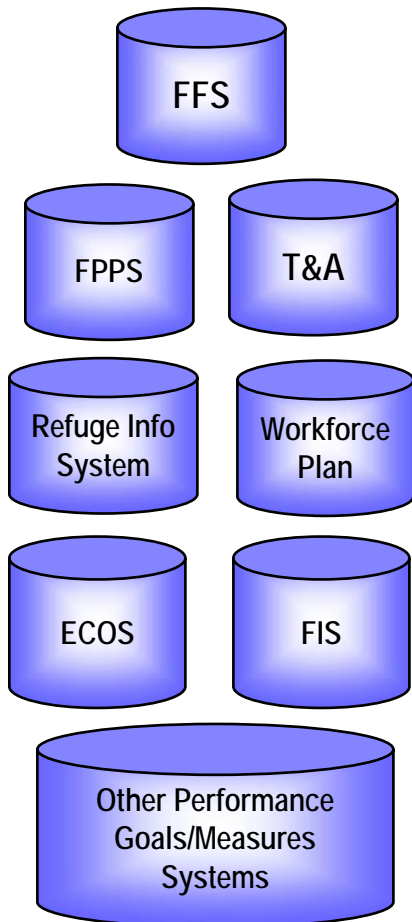
Unit cost information assists in planning and budgeting by goal



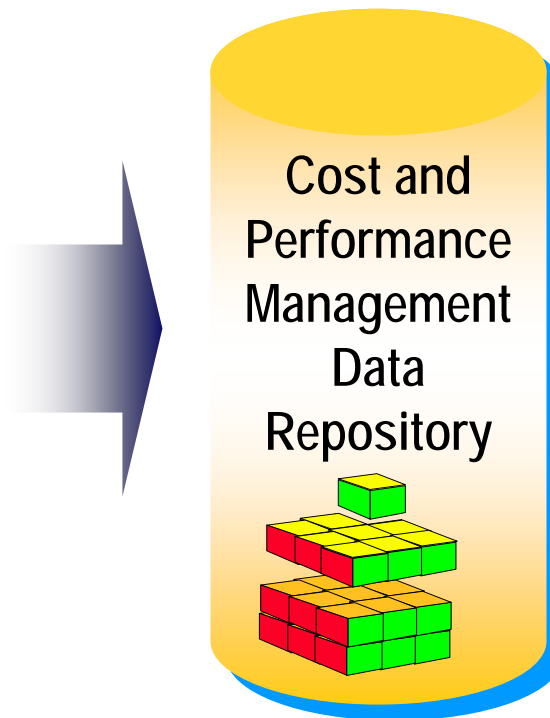
*includes base

Using technologies to enable budget and performance integration

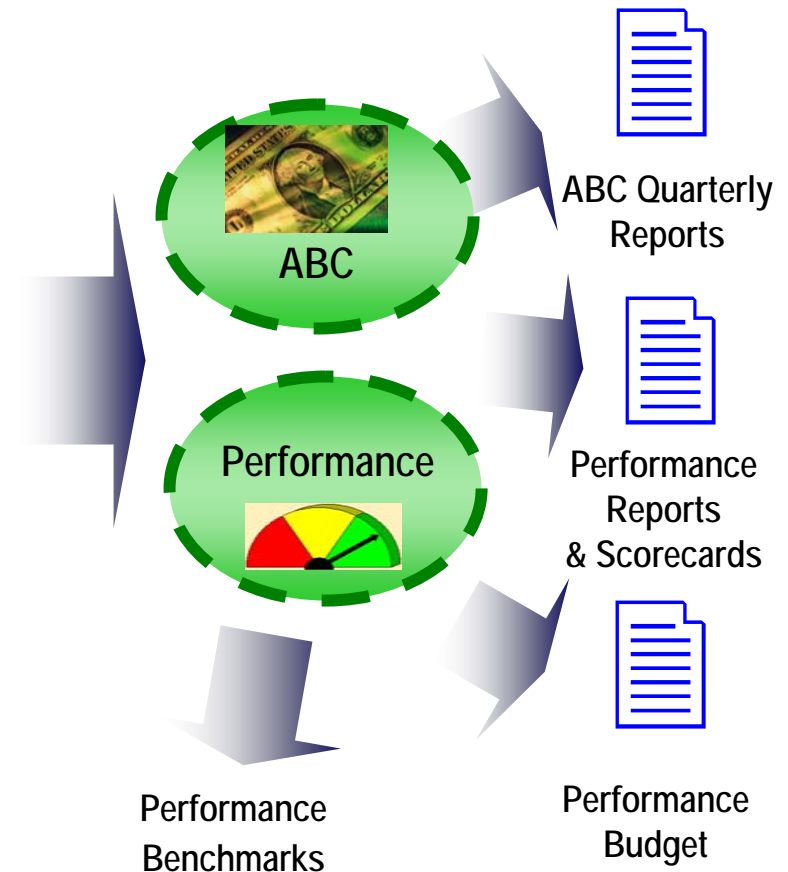
FWS Source Systems



Cost & Performance Data Mgmt.



Decision Support & Analysis



Top Ten Keys to Success

1. Communicate! Communicate! Communicate!
2. Think long-term, implement in phases, build on early successes
3. Integrate with other initiatives
4. Assess readiness and prepare for change
5. Create “Push-Pull” environment – burning platform!!
6. Hold responsible parties accountable
7. Involve operational, IT, budget, and financial personnel
8. Establish Executive-level champion
9. Do not lead with software
(software should be the enabler – not the driver)
10. Clearly define the objective

Questions

