

March 24, 2000

Michael M. Reyna, Chairman and  
Chief Executive Officer  
Farm Credit Administration  
McLean, Virginia

Dear Mr. Reyna:

The Government Performance and Results Act of 1993 requires all agencies to establish objective, quantifiable and measurable performance goals for program activities as well as performance indicators to measure relevant outputs, service levels, and outcomes. Agencies must also provide a basis for comparing actual results with established goals and a means to verify and validate measured values. Each agency must develop an annual performance report to the Congress and the President comparing actual performance against established goals, summarizing the findings of program evaluations completed, and describing the actions needed to address or revise any unmet goals.

The objective of this audit was to determine if Farm Credit Administration (FCA or Agency) offices and individual divisions under each office have performance measures in place for each significant function of the unit. We determined whether there are performance measures, metrics, and goals and how those goals/outcomes are reported to management.

All FCA offices were reviewed except for the Office of the Board (OB). The OB is a policy-making office and, therefore, OB's performance plan is the Agency's overall performance plan. For the OB, we reviewed the Agency's performance measures and the feedback mechanisms that supply the Board with the status of the Agency's achievement of its strategic objectives through performance measurement.

The OB relies on status reports of each of the strategic plan goals and performance measures through task groups. One or more office addresses each performance measure and those performance measures can be compiled to determine the Agency's overall success or failure in meeting its strategic goals. As you will find under the OB section of this report, FCA's management reporting on the status of the Agency's current strategic goals is reliable and informative. However, we have found that improvements can be made concerning the individual offices' performance plans. We have included individualized suggested actions in the appendices of this report for each office where we found improvements could be made. For broader areas that encompass all FCA offices, we have included recommendations as part of this report in the OB section for your consideration.

We began this work over a year ago and have monitored progress in the offices' performance plans and goals. We held exit conferences with each office director in February and March of this year and, where agreement could be reached, have provided the "agreed upon actions" rather than recommendations for the areas that could be improved.

If you have any questions or would like to discuss this report, please let me know.

Sincerely,

Eldon W. Stoehr  
Inspector General

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## **BACKGROUND**

### FCA

The Farm Credit Administration (FCA or Agency) is an independent Federal financial regulatory agency with regulatory, examination and supervisory responsibilities for the Farm Credit System (System) banks, associations, and related institutions chartered under the Farm Credit Act of 1971, as amended. FCA is a non-appropriated agency with a fiscal year (FY) 1999 budget of \$36,017,177 and assesses System institutions for its administrative costs. The FCA, along with all other Federal agencies, must comply with the Government Performance and Results Act of 1993 (Results Act).

### Government Performance and Results Act of 1993

The major thrust of the Results Act is to make government more results-oriented. It shifts the focus of government performance and accountability away from its historical preoccupation with tasks and activities to identifying and measuring the actual results or outcomes of those activities. The Results Act requires all agencies to provide an annual performance plan to Congress and the public to inform them of the agencies' major programs and activities, measures used to gauge their performance, strategies and resources needed to achieve their goals, and the procedures used to validate the performance information.

### What Is Required Under the Results Act

The Results Act requires that all agencies provide performance reports to Congress and the President on March 31 of each year beginning in the year 2000. These reports will compare the agency's performance with goals established in its annual performance plan, summarize the findings of program evaluations completed during the year, and describe the actions needed to address or revise any unmet goals. Specifically, the Results Act requires executive agencies to prepare an annual performance plan that shall:

- “(1) establish performance goals to define the level of performance to be achieved by a program activity;
- (2) express such goals in an objective, quantifiable, and measurable form...;
- (3) briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet performance goals;
- (4) establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity;
- (5) provide a basis for comparing actual program results with the established performance goals; and
- (6) describe the means to be used to verify and validate measured values.” (P.L. 103-62, sec. 4)(b.)

The coordinator for FCA's Performance Measures Report has added a seventh requirement for the Agency. This requirement is to explain/describe the surrounding circumstances illustrating why the Agency surpassed or failed to achieve its goals.

While the Results Act does not require a specific format, it does require the plan to (1) identify annual goals and measures covering each of its program activities, (2) discuss the strategies and resources needed to achieve annual goals, and (3) describe the means the agency will use to verify and validate its performance data. According to the General Accounting Office, there are three core questions which evaluators are to use to determine how well an agency's performance plan meets both the requirements of the Results Act and the congressional expectations for the plans. These questions are as follows:

1. **Annual Performance Goals and Measures:** To what extent does the agency's performance plan provide a clear picture of intended performance across the agency?
2. **Strategies and Resources:** How well does the performance plan discuss the strategies and resources the agency will use to achieve its performance goals?
3. **Validation and Verification:** To what extent does the agency's performance plan provide confidence that its performance information will be credible.

#### FCA's Progress in Achieving Results Act Requirements

Under the Results Act, each agency was to submit their first strategic plans to the Office of Management and Budget (OMB) by September 30, 1997. FCA began its strategic planning for the Agency as a whole in 1991. The OIG looked at FCA's strategic planning process in an audit issued on October 20, 1993. That audit concluded that the strategic planning process and roles and accountabilities were ill defined and that the Agency had not succeeded in developing a useful strategic plan. FCA subsequently made many improvements to the strategic planning process and adopted FCA policy and procedure PPM directive 1003 on September 29, 1997 to establish formal procedures and accountabilities to guide the strategic planning process. FCA refined its previous strategic plan resulting in the FY1998-2003 Strategic Plan issued on October 10, 1998. With this new plan, the Agency began drafting a Performance Plan to create performance measures for each Agency goal and to link the performance measures directly back to the strategic plan.

FCA developed its initial performance measures through the extensive efforts of an Agency work group. This group worked from 1995 through 1997 to develop guidelines for creating Agency performance measures. They created numerous performance measures and used them as a pilot in FY 1998 to assure that Agency goals and measures provided useful and reliable information on how well the Agency was performing its basic responsibilities. The first year that FCA actually implemented its performance measures was FY1999. Quarterly status reports were used to document how well the Agency was performing and directly linking the Agency's performance with its strategic goals, objectives and focus areas. Few changes have been made to the Agency's performance measures over the past three years. However, the measures are continuously reviewed to ensure that they still hold the same importance as they did in previous

years. The Agency coordinator for performance measures stated that revisions are being made to the current performance measures to enhance their usefulness for the next fiscal year.

The FCA Board has directed management to integrate the established Agency-level performance measures into internal performance measures for the day-to-day functions and operations of the Agency. FCA's 1998-2003 strategic plan creates the Board's expectation that "...each FCA operating unit has developed performance measures for its functional responsibilities. These measures are linked to the Agency-level measures and will be included in staff's individual performance standards as appropriate."

## **OBJECTIVE AND SCOPE**

The objective of this inspection was to determine if FCA offices and individual divisions under each office have performance measures in place for each significant function of the unit. We determined whether there are measurable outputs and how those outputs/outcomes are reported to management. Specifically, OIG set out to answer the following questions for each operating unit in FCA:

1. Do measures exist for all material activities?
2. Have metrics been established for satisfactory performance?
3. Is reliable information available to support the measurements?

In order to answer these questions we:

- obtained and reviewed the performance measures for each office/division;
- reviewed other documentation to identify the major areas of responsibilities for each office/division to compare against each unit's documented performance measure;
- interviewed the responsible manager for the specific program areas;
- reviewed verifying data mechanisms which allow documentation of the results of each program area or process to determine if reliable information is gathered to support the outcomes; and
- looked to see if these measures tied back to the Agency's goals and management focus areas.

Finally, we asked management if their office's performance measures are included in employee performance standards and whether the employees have a clear understanding of the performance measures and their responsibilities concerning the performance measure outputs.

All FCA offices were reviewed except for the Office of the Board (OB). The OB is a policy-making office, and, therefore, the Agency's overall performance plan serves as their performance plan. For the OB, we reviewed the Agency's performance measures and the feedback mechanisms that supply the Board with the status of the Agency's achievement of its strategic objectives through performance measurement.

## FINDINGS AND RECOMMENDATIONS

FCA's current Agency-level performance measures and related Performance Plan for FY 1999 is well thought-out and fully encompasses the major responsibilities of the Agency. Individual workgroups were created for each of the Agency's goals and the management focus areas. These workgroups are responsible for reporting the progress in achieving the Agency's overall goals on a quarterly basis. We also reviewed the Agency's Draft Performance Plan for FY200 and 2001, and found that this plan includes all Agency-level measures and ties FCA's performance back to the Agency's strategic plan and budget.

The OB relies on status reports from work groups for each of the strategic plan goals and performance measures. One or more office is responsible for each performance measure and office reports on their individual performance measure achievements are compiled to determine the Agency's overall success/failure in meeting its strategic goals. FCA's management reporting on the status of the Agency's current strategic goals is reliable, informative and complies with the Boards strategic objectives.

We believe that improvements should be made to internal performance measures for some individual offices. Findings and recommendations for the Board on issues applicable to all Agency offices are included below. The five appendices at the end of this report presents our analysis of individual offices' progress in developing measurable performance goals together with findings and recommendations internal to each office.

### **FCA offices need guidance concerning the Board's expectations for the depth, format and terminology concerning internal performance measures.**

The development of internal performance measures has not kept pace with the development of Agency-level measures. Even though the FCA has developed appropriate Agency-level goals and objectives and has a reliable reporting system for them, progress in developing goals and measures for internal products and services varies between individual offices. Because there has been no uniform guidance at the office and division levels, responsible officials have different perceptions of the Board's expectations.

Individual organizational units lack a consistent understanding about how in-depth or specific internal performance measures should be and there is an accompanying inconsistency in the measures established between units. Although there is general acceptance that the Agency-level performance measures must be included in their performance plans, some units do not expand their performance measures to include significant products or services for which the unit is responsible. This lack of understanding is especially true for support functions whose major areas of responsibility do not directly link to the stated Agency performance measures or strategic goals even though they are vital to the success of the Agency. Additionally, although all offices show "outputs" that are measured, in many instances the "outcome" is not clear. Statistics are useful but do not always, by themselves, adequately measure the success of a program. In some instances, the performance measures show completion of tasks rather than how achieving their goals improves the Agency's effectiveness.

Terminology used in describing performance measures is inconsistent between individual organizational units. (Throughout the appendices to this report, different terminology is used based on how that organizational unit uses performance measure terminology.) If all offices used the same terminology with the same understanding of what each meant, it would help unify offices that share the work in achieving the common goals dictated by the Agency's Strategic and Performance Plans.

The performance measures for individual Agency offices presented in the appendices to this report demonstrate the inconsistency in formatting between those offices. Although most offices' performance measures documents contain the required information, the varied formats makes consolidating the information more difficult. A common format would greatly facilitate preparation of the annual consolidated performance report to the Congress. This will ease the process of reviewing and reporting on the status of performance goals.

### **Recommendations**

***1. The Board should issue an internal directive that:***

- ***Defines its expectations for developing internal performance measures.***
- ***Adopts uniform terminology for all performance measure documents and reports.***
- ***Establishes a uniform performance measures plan matrix format.***

***2. Develop training for all FCA managers on developing and reporting on performance measures.***