



November 13, 2001

MEMORANDUM FOR The Federal Co-Chairman
ARC Executive Director
ARC General Counsel

SUBJECT: OIG Report 01-27(H)—ARC GPRA Program

Enclosed is our survey report in connection with ARC implementation of the GPRA as of September 30, 2001. The auditor concluded that ARC had taken effective and aggressive action to implement GPRA. Recommendations were directed toward actions that could further increase the use of GPRA initiatives as a management tool for assessing program operations and results and identifying projects and performance strategies with the greatest potential for success.


Hubert N. Sparks
Inspector General

Enclosure

- improve the confidence of the American people in the capability of the federal government, by systematically holding federal agencies accountable for achieving program results;
- improve federal program effectiveness and public accountability by promoting a new focus on program results, service quality, and customer satisfaction; and,
- help federal managers improve service delivery, by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality.

RESULTS

ARC has achieved considerable success in implementing a program in response to GPRA. Specifically, it established and staffed a Division devoted to GPRA activities. ARC has developed a Mission Statement, a Strategic Plan, Annual Plans and has issued Annual Performance Reports. It has developed specific strategies and initiatives, as well as, performance measures for the projects it funds under all of the five Goals set forth in its Strategic Plan, and issued related guidance. To record and track grantees' progress in meeting expected results, ARC has developed a management information system (MIS). It conducts site visits to projects after their completion, to verify results. Also, it contracts for detailed studies of numerous projects of similar types awarded over several years to identify the causes of success among the projects. These accomplishments are particularly noteworthy, because of the need for cooperation and coordination among the 13 different States comprising the Commission.

As a result of these efforts, the various States have developed Strategic Plans related to ARC activities. Grant applications, more often than not, contain measurable projections of the results the project is expected to achieve. And, many project close out reports contain measurable quantitative and qualitative information as to the success in achieving expected results.

ARC has many excellent GPRA-related activities in place and accepted by all affected parties. However, as currently designed and conducted, those activities seem to be externally focused, specifically on satisfying its reporting responsibilities to the Office of Management and Budget. We recognize the importance of that responsibility and do not wish to imply ARC should in any way lessen its diligence in meeting it. We believe GPRA has its greatest value in helping organizations improve themselves, and produces tangible benefits when inculcated into everyday management practices. **Therefore, we strongly recommend that ARC GPRA initiatives and implementing actions be continued.**

We believe ARC stands to benefit by capitalizing on its GPRA successes and further enhancing its management effectiveness in carrying out its mission to create opportunities for self-sustaining economic development and improved quality of life in Appalachia. Following are our recommendations for specific program improvements.

--Performance Measures

- **We recognize that ARC has established performance measures in line with OMB recommendations with respect to the number of measures. However, for internal purposes, ARC should expand the number of performance measures against which projects can assess their success. Our review showed the number and types of current measures ARC uses are not sufficient to accommodate the variety of outputs and outcomes resulting from currently approved projects. As a result, expected outputs and outcomes of projects are not **always** being tracked on the MIS or are not tracked in a way that maximizes the potential value of the resultant information. **Also, expected outputs and outcomes are generally identical, which indicates outcome measures may be insufficient.****
- ARC should consider accumulating performance measurement information on a level commensurate with the Strategies presented in its Project Guidelines, rather than with the Strategic Plan's five Goals, as is presently done. We believe the Goals are too broad to accurately capture the diversity of activity going on throughout the Region. The Strategies were developed, according to the Strategic Plan, to provide communities with the resources they need to reach the Goals. It appears by limiting performance measurement categories to ARC Goals, project applicants are greatly restricted as to the ways in which they can describe the projects' expected results. Our review noted that many of the project applicants presented their performance measures in terms that closely align to the Strategies. We believe, by its nature, information related to Strategies tends to be more measurable than that related to Goals. This change would provide ARC better information regarding those Strategies that are experiencing more success in meeting the Goals than others, and those in which communities may be less confident and thereby requesting fewer projects. We recognize ARC now submits performance achievement data to the Office of Management and Budget in a manner aligned with the 5 Goals, and we see no reason for it not to continue to do so.
- In its Project Handbook, under the section labeled "Examples of Performance Measures," ARC informs grantees that they are not obligated to track outputs and/or outcomes not listed for OMB reporting purposes. We believe all expected outputs and outcome should be tracked, because such action produces an opportunity to gain valuable

management information, as well as, increases grantee accountability for the results of projects.

--Revising the Management Information System

Consideration should be given to the following actions.

- Revising the MIS to reflect any changes made to the number and type of performance measures (as discussed above).
- Designing the MIS in a fashion that recognizes the differences between projects' expected outputs and outcomes. The MIS contained expected output and outcome data on 40 of the 42 grants in our review sample. However, in 29 of those grants (73 percent), the expected outputs were identical to the expected outcomes.
- Recognizing in the MIS the differences in significance of various efforts being funded under individual project grants. Our reviewed showed data on the expected project outputs and outcomes were combined even though the efforts were vastly different in complexity. For example, the number of participants in a one-day conference was combined with the number of participants in an extended training program under the heading of "participants."

Our review found that grantees include, in ARC-required progress reports, a considerable amount of information regarding their interim accomplishments toward meeting the project's expected output and outcome goals. However, the MIS computer screens that display results information is not designed in a manner to include that information. We recognize the progress reports are available in the projects' official files, but having the information available on the MIS would make it much more accessible, and therefore beneficial to interested managers at ARC and in the States.

--Gathering Additional Information on Projects' Actual Accomplishments

- Oftentimes, the identification of program effectiveness, in terms of outcome results, does not occur until either late in the project grant period, or after the period has expired. That outcome information is important to ARC as it determines the relative effectiveness of projects and strategies. ARC gathers such information during the site visits it conducts after projects close, but it is feasible to only visit a small percentage of projects. And, even at those projects that are visited, the outcomes may have yet to be realized. **The absence of such information creates a gap with respect to correlation of the planning and performance processes. Therefore, we recommend that ARC, in coordination with the State and local partners, identify and implement a process whereby feedback on project results can be**

obtained subsequent to project completion—e.g., 2 to 3 years after completion, depending on project and expected outcomes. Such information, if incorporated in the MIS would assist planners at all levels to better identify viable projects and strategies and/or address constraints that could reduce the potential for project success.

- **Our review of reports in the MIS, prepared as a result of project site visits conducted by ARC's GPRA unit, the Regional Planning and Research Division, showed most primarily contained quantitative data on the projects' outputs and outcomes. Information about the quality of those results or narrative dealing with topics like "lessons learned" or "problems encountered" was limited. Such visits provide an opportunity to obtain valuable management information. We believe ARC should maximize these opportunities to gather as much information as feasible on the projects' operation and achievements. On a related issue, we recognize the criteria used for validation visits and that external sources, e.g., OMB, consider dollar value as a primary criterion. Based on the types of projects approved by ARC, there is opportunity to provide increased assistance to project managers through additional emphasis on validation visits to non-construction projects for which performance measurements and results provide greater challenges. ARC, especially through its GPRA unit, obtains verified information about project results, including successes and failures, and reasons therefor. Such information can be of particular assistance in the project planning and approval process; and, thus, consideration should be given to periodically providing States with summary information about project results for use in the development of investment plans and State strategy statements.**

--Project Guidance and Coordination

The GPRA unit and Program Operations Division should jointly address issues with respect to the coordination of, and responsibility for, GPRA-related activities and guidance. In some instances, coordination and cooperation with and between ARC and its State and local partners is necessary. However, we recognize that project managers and analysts cannot effectively address GPRA issues with State and local partners without agreement by ARC and partner executives that ARC staff responsibilities include providing assistance to State and local agencies and applicants about GPRA requirements and intents. Examples of issues for consideration include:

- **GPRA staff should periodically summarize findings and hold discussions with project managers of the results of validation visits. This would include overall conclusions; examples of best practices;**

and most successful projects, as well as reasons therefor and weaknesses noted (e.g., absence of or weak performance measures that adversely effected project results). Also, they should consult and coordinate with project managers prior to field validation visits to exchange information is recommended.

- **Project managers should be alert for applications with inconsistent or inaccurate data, including limited identification of performance measures, including outputs and outcomes. The coordination between project managers and project applicants** to better define, quantify and distinguish between expected outputs and outcomes of projects could be increased. Our review of project files found that some applicants did not identify the projects' expected results. Also, applicants' often presented expected outputs and outcomes in terms that were not measurable either quantitatively or qualitatively. Additionally, applicants often incorrectly presented what were, in reality, expected outputs, as expected outcomes, and vice versa. Of the 27 project files we reviewed in detail, in only 2 instances did we find evidence that project managers held discussions with grant applicants to improve the performance measures.
- **Consideration should be given to identification of one project manager for each goal area to ensure project measurements in each goal area are satisfactory and accurately portrayed, and GPRA staff and project managers should coordinate efforts regarding problem applications.**
- We believe ARC should provide project applicants and grantees more detailed information regarding expected outputs and outcomes, in addition to that necessitated as a result of expanding the number of measurements as we recommended above. The current guidance provides a list of measurement choices for each ARC Goal and Objective, but no definitions or descriptions of what data is intended to be captured by each measure. Three of the examples provided deal with unusual situations for which the guidance says grantees need not track results. We believe there are few, if any, cases in which grantees should be exempt from tracking results and the inherent accountability that accompanies that exercise.
- According to staff in the **GPRA unit**, grantees are not always aware that representatives of that Division make site visits to verify projects' results at the completion of the projects. This sometimes causes confusion among grantees, and results in difficulties in identifying the information needed to complete the verification. Our review of the section in ARC's Guidelines titled "Audit Responsibilities of Grantees" found no mention of the verification visits made by the **unit**. We believe ARC should include mention of these visits in this section to alert grantees of the possibility

they could receive such a visit, and detail the types of information they would be expected to have available. **Also, grantees could be informed at time of grant approval that performance validation visits are made routinely by ARC. Another option would be to include this message as a specific statement in the grant agreement.**

- **Validation visits disclosed that information about outputs and outcomes contained in project files and the MIS sometimes differed from grantee understandings of the outputs and outcomes expected of their projects. This appeared to result because files and the MIS were not revised to reflect negotiations between grantees and project managers prior to grant approval; whereas, agreement was reached on revised expectations. Revised expectations should be documented in ARC records and confirmed with grantees.**

--State Annual Strategy Statements

- **We recognize States prepare annual strategy statements that incorporate some or all of the ARC regional strategies. In conjunction with the institutionalization of the GPRA process, consideration should be given to the inclusion of performance measures in State strategy statements. Such action would, in our opinion, increase State involvement in, and contribution to, the process.**

--Use of Research Reports and Validation Visits

- Our review indicated that ARC could increase dissemination **and use** of the results of project related research studies. We were told there is no formal distribution list for such study reports. We observed the reports are quite **detailed**, and **could** be time consuming to read. We also observed the information in the reports could be very valuable to project managers. As is, ARC and the projects it funds, stand to miss opportunities for improvement identified through these studies. We believe ARC should develop a process to ensure the widest distribution possible of, at a minimum, the findings, conclusions and recommendations of the research studies to those who can benefit from their contents. We recognize study results are often discussed with interested staff at informal briefings, but a more formal process that emphasizes results, lessons learned, and project manager use of results could enhance the value of the research. **In addition to the increased internal use noted above, project managers should encourage entities responsible for initial project identification—e.g., State ARC offices and LDDs—to review and use these reports when considering projects in the subject area.**

We were told the **GPRA unit** staff meets formally with project managers once a year to discuss the results of their verification visits. There are about 50 such visits made each year. As we recommended earlier, ARC should act to ensure more qualitative and issue-related information be acquired during these visits. We believe the additional information presents ARC with the opportunity to act quicker in situations where projects need assistance accomplishing their goals. Also, increased contact between GPRA and project staff relative to specific issues or visits could be useful in providing timely input for the planning and approval process.

- We were told ARC intends to develop a web-based Resource Center. This would serve as an information clearinghouse available to ARC, States and project managers. We endorse this effort and recommend ARC continue exploring it.

--Recommendations in Other Studies

- We agree with the recommendations made in the "Evaluation of the Appalachian Regional Commission's Educational Projects: Final Report," issued in March 2001, and believe they have applicability in all of ARC's project areas.
- We performed a cursory review of several studies performed under contract of other types of ARC projects during the past few years and noted they contained valuable information for **anyone planning, managing, coordinating, reviewing, and monitoring** projects. Of particular value were methods and models to measure impact of project activities and results, referred to in GPRA terms, as outcomes; and, advice on designing and implementing a strategic planning process for achieving greater economic growth in a specified geographic area.

--Other Issues

- GPRA calls for updates every 3 years. Regardless of the GPRA requirement, management practices recognize the need to assess periodically conditions, goals, objectives and strategies for currency and continued relevance as well as capitalize on knowledge gained. In September 2000, the Federal Co-Chairman notified OMB that ARC was undertaking a comprehensive evaluation and planning process, modeled on the process used for the formulation of its original strategic plan, to see how well the five goal areas were being implemented in the region's distressed counties. ARC considered this to be the process whereby the plan was evaluated and updated. According to the Federal Co-Chairman, this yearlong effort did result in new programs and a change in the allocation of funds but no change in the fundamental elements of the original strategic plan. We agree ARC's efforts have fulfilled the spirit of

Congress' intent to periodically review strategic plans. We believe it would be beneficial to ARC to reissue its strategic plan to remove any impression that it might be outdated and not reflect the most current initiatives and directions of ARC.

- A general comment pertains to ARC's consideration of eliminating from its Annual Performance Report, estimates of the total numbers of outputs and outcomes that might result from the projects it will fund under each of its 5 goals in the upcoming year. These estimates are made prior to ARC receiving any project applications for the period, and are based on past years' experience. We were told ARC includes these estimates because such data has been supplied regularly, upon request, to the Office of Management and Budget. ARC clearly footnotes the estimates explaining the origin of the data. We wish to be clear that we are not recommending ARC not be open and candid with OMB. However, ARC should consider another means for provide these estimates. We believe including the estimates in the report increases the opportunity for confusion as to the results ARC can realistically expect from the projects it funds, and may needlessly expose it to unfair criticism.

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INSPECTOR GENERAL