



Library-Services Performance-Based Budgeting

*Working Toward the Spirit of GPRA-
Library Services: Commendable Progress
with Room for Improvement*

Audit Report No. 2010-PA-107
January 2011

FOR PUBLIC RELEASE



UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS

Memorandum

Office of the Inspector General

TO: James H. Billington
Librarian of Congress

January 21, 2011

FROM: Karl W. Schornagel
Inspector General

A handwritten signature in black ink, appearing to read "Karl Schornagel".

SUBJECT: *Working Toward the Spirit of GPRA- Library Services:
Commendable Progress with Room for Improvement
Audit Report No. 2010-PA-107*

This transmits our final report on Library Services' efforts to comply with the "Spirit of GPRA." This report is a companion to *Managing in the Spirit of GPRA: Developing Credible Performance Data is the Next Step*, Audit Report No. 2009-PA-104. The executive summary begins on page *i*, and complete findings and recommendations appear on pages 4 to 9.

Based on the written comments to the draft report, we consider all recommendations resolved. Therefore, we request your response within 30 calendar days, with an action plan addressing implementation of the recommendations, including implementation dates, in accordance with LCR 2023-9, *Rights and Responsibilities of Library Employees to the Inspector General*, §6.A.

We appreciate the cooperation and courtesies extended by Library Services during this audit.

cc: Chief of Staff
Associate Librarian for Library Services
Chief Financial Officer

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▶▶ EXECUTIVE SUMMARY

Congress enacted the Government Performance and Results Act (GPRA) in 1993 to improve the management of the Federal Government. The basic premise of GPRA was to tie funding to program performance. Initially, the Act only applied to executive branch agencies, but Congress subsequently directed legislative branch agencies to comply with the spirit of the act and embrace its performance management principles.

Our office previously released two audits on the Library’s development of its performance management methodology.¹ They were the first in a series and focused on the development of Library-wide policies and procedures. This report addresses the Library’s largest service unit’s (Library Services [LS]) compliance with those Library-wide performance management policies and procedures.

We found that LS has made good progress in complying with the Library’s performance management framework. It also has gone further by linking its strategic plan to its annual performance goals, budgetary resources, and staffing and presenting it in a document titled *FY 2009 Performance Budget*. We found this document far ahead of what we have encountered in other service and support units in making the important connections between results oriented program planning and budgetary resources.

Even though we found a sound performance management framework, LS management needs to improve the validity of its performance data to ensure it is reliable for decision making purposes. The following comments address those concerns:

LS Should Use Consistent Terminology—The terminology in various documents differ. For example, key terms used in the *FY 2009 Performance Budget* differ from those used in eLCplans, the Library’s electronic performance management package. As a result, users may find it difficult to obtain a

Distribution of FY2009 Resources By Strategic Goal		
Collect and preserve the record of America's creativity and the world's knowledge	101.3	620
Provide the most effective methods of connecting users to our collections	83.8	740
Deepen the general understanding of American cultural, intellectual and social life and of other peoples and nations	30.1	173
Provide leadership and services to the library and information community	92.3	265
Manage for results	12.3	76
Total	\$319.8 million	1,874 FTEs

Page from *FY 2009 Performance Budget*

¹ These audits were *Performance-Based Budgeting at the Library: A Good Start, but Much Work Remains*, Audit Report No. 2004-FN-502, October 2006, and *Managing in the Spirit of GPRA: Developing Credible Performance Data is the Next Step*, Audit Report No. 2009-PA-104, March 2010.

complete understanding of LS' performance activities. We believe that presenting performance information with consistent terminology across platforms will enhance the value of LS' performance management activities. To assure consistency and prevent confusion we recommend that LS management prepare documents succeeding the *FY 2009 Performance Budget* in a format and with terminology consistent with eLCplans.

LS Management Should Improve the Quality of Performance Target Data—OCFO Directive 08-09 *Strategic and Annual Program Performance Planning* and Library of Congress Regulation 1511, *Planning, Budgeting, and Program Performance Assessment*, place responsibility on service and support units to ensure that valid and verifiable data is used in performance assessments. LS' performance data showed a high ratio of *output*-related performance strategies and targets, indicating their program is not fully aligned with GPRA's *outcome*-oriented focus on results.

Additionally, there was an absence of data to support color ratings and invalid data was used to support green ratings (i.e., "fully achieved") for performance targets. LS should create *outcome*-oriented performance targets to align its program with GPRA and implement an internal control system that ensures valid and verifiable data is collected and used to measure program performance. These findings parallel Library-wide audit findings and are discussed in detail on pages 4 through 9.

Management concurred with our recommendations. The full text of management's response is included as appendix A.

▶▶ BACKGROUND

Over the last five years, the management of the Library of Congress has invested significant efforts in responding to Congress' intention to "... hold legislative branch agencies to the highest standards of performance and accountability."² During that timeframe, the Library's Office of the Inspector General (OIG) has monitored and issued two audit reports³ on the Library's agency-wide progress in developing and implementing performance management methodology.

The emphasis of our second audit was on the Library's processes for compiling annual program performance plans and assessments, and its policies and procedures for assuring the quality of data used in performing annual program performance assessments. The results of that audit established a baseline for us to evaluate the accuracy and reliability of data being used by individual service and support units in their performance management activities.

The audit that we performed for this report is the first of a series of audits through which we will evaluate the compliance of individual service and support units with the Library's planning, budgeting, and performance assessment methodology.

Library Services' Performance Management Efforts

Library Services (LS) has made significant progress in complying with the Library's efforts to develop a comprehensive planning, budgeting, and performance assessment process. Moreover, the organization has implemented a performance management framework to direct its programs and operations towards strategic goals, document and evaluate its program and operating results, and manage its human capital.

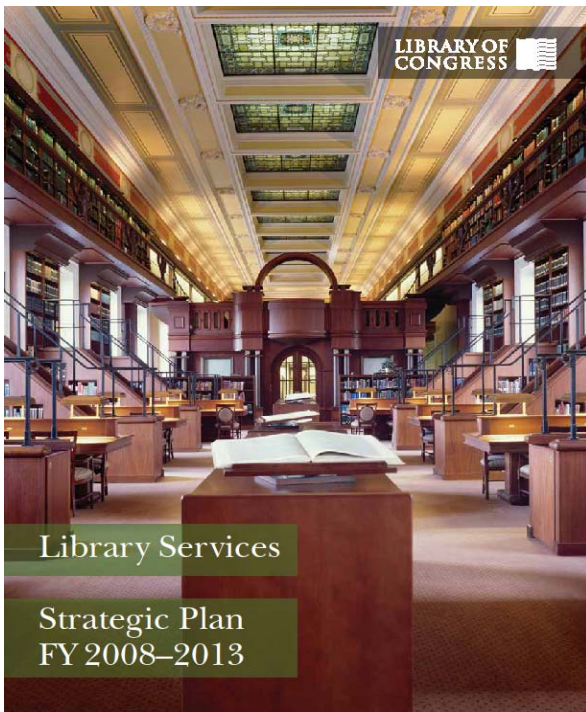
² Opening Statement of Senator Wayne Allard, Subcommittee on the Legislative Branch, Committee on Appropriations, April 13, 2005.

³ *Performance-Based Budgeting at the Library: A Good Start, but Much Work Remains*, Audit Report No. 2004-FN-502, October 2006, and *Managing in the Spirit of GPRA: Developing Credible Performance Data is the Next Step*, Audit Report No. 2009-PA-104, March 2010.

Significant activities which demonstrate LS' progress include:

- Implementing a strategic plan based on the Government Performance and Results Act (GPRA)⁴ for the fiscal year (FY) period 2008-2013;
- Developing the *Fiscal Year 2009* and *Fiscal Year 2010 Performance Budget* documents which link LS' budget with key LS performance goals; and
- Establishing strategies and targets in eLCplans,⁵ the Library's proprietary performance management tracking system.

We especially commend LS management for developing the Fiscal Year 2009 and Fiscal Year 2010 Performance Budget documents. By doing so, LS is far ahead of other service and support units in making important connections between program planning, budgetary resources, and human capital.



Cover of LS' *Strategic Plan FY 2008-2013*

⁴ GPRA is an acronym for the Government Performance and Results Act of 1993. That act requires executive branch agencies to implement a performance management framework that includes strategic planning, annual program plans and assessments, and efforts to link and align budgetary resources with planning and performance.

⁵ eLCplans is the Library's automated system for tracking service and support units' annual performance goals and self assessments.

►► OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit was to evaluate LS' compliance with the Library's planning, budgeting, and performance assessment methodology. Accordingly, we evaluated the organization's activities involving strategic planning, program performance assessment, and program performance and budget integration for fiscal year (FY) 2009. We performed our fieldwork from May through August 2010.

The scope of our audit included LS' performance management and budgeting activities, with an emphasis on the processes employed for compiling data on annual program performance plans and assessments. As part of the scope, we examined the organization's policies and procedures for assuring the quality of the data used in its annual program performance assessments.

Our audit methodology included:

Reviewing applicable laws and regulations, analyzing LS' annual program strategies in eLCplans and related performance targets, and evaluating LS' *Fiscal Year 2009 Performance Budget* document.

We conducted this performance audit in accordance with generally accepted government auditing standards and Library of Congress Regulation (LCR) 211-6, *Functions, Authority, and Responsibility of the Inspector General*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

►► FINDINGS AND RECOMMENDATIONS

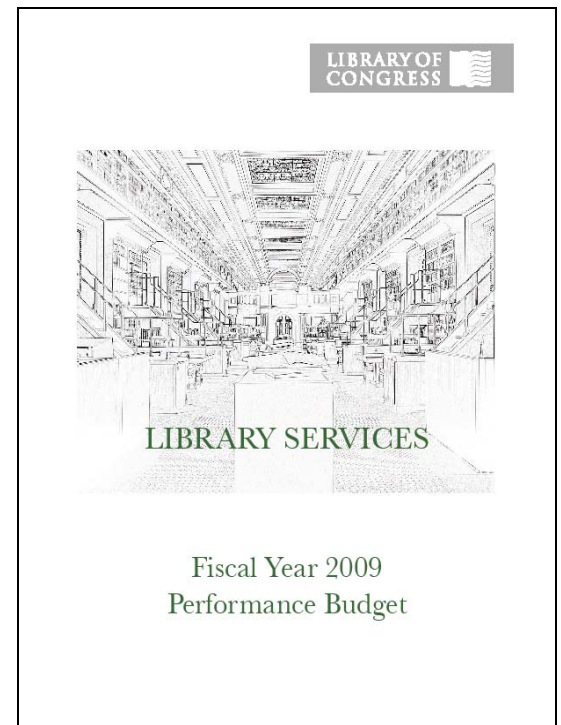
As the Library's largest service unit, LS has made good progress in developing an infrastructure to comply with the Library's performance management process. We were especially impressed with the linkage of LS' budget and human capital to the organization's performance goals and plans. By developing such an infrastructure, LS management has taken a giant step towards Congress' goal of associating the cost of performance with planned outcomes, and providing a basis on which management can logically assess the costs of implementing performance corrections.

While the organization has established a well-designed performance management platform, LS could realize more benefit from its performance management activities by making the framework and terminology of its *Fiscal Year Performance Budget* document consistent with that used in eLCplans, putting more emphasis on *outcomes*, instead of *outputs* in managing and recording program performance activities, and improving the quality of its performance data.

The following sections provide assessments of significant issues we identified during this audit and recommendations to improve LS' performance management activities.

I. LS Management Should Unify Performance Terminology to Assure Clarity

The Library's service and support units are required to include their annual program performance plans (AP3s) and related annual program performance assessments in eLCplans, the Library's proprietary performance management tracking system. In addition to conforming to that requirement for FY 2009, LS produced a separate document titled, *Fiscal Year 2009 Performance Budget*. This document, which is not required by Library policy, is an additional effort by LS to provide information to stakeholders and employees about the organization's annual performance, budget, and human capital plans. LS' *Fiscal Year 2009 Performance Budget* provides the base appropriation and full-time employee count dedicated to each strategic and performance goal. As previously noted, this detailed linkage puts LS far ahead of other service and support units in making important connections between program planning, budgetary resources, and human capital.



Cover of LS' FY 2009 Performance Budget

However, despite LS’ efforts, the presentation of performance data in the LS *Fiscal Year 2009 Performance Budget* document may lead to confusion. In many cases, connections cannot be made between the document and corresponding data recorded in eLCplans. This is because the terminology which LS uses in the document differs from that which is used in eLCplans. As a result, stakeholders and staff may become confused about the differences and find it difficult to obtain a clear and complete understanding about LS’ performance activities.

Category	Number in eLC Plans	Comparable Data in LS’ FY-09 Performance Budget	Percentage Correlated
Strategies	11	9	82
Targets	25	17	68

Table 1. Comparison of eLCplans to *Fiscal Year 2009 Performance Budget*

We compared performance information in LS’ *Fiscal Year 2009 Performance Budget* document with the organization’s FY 2009 information in eLCplans and summarized the results in Tables 1 and 2. Our comparison revealed that the presentations of LS’ performance information were not symmetrical. Specifically, performance information, which was presented as “*performance strategies*” and “*targets*” in eLCplans, was presented as “*strategic goals and objectives*” and as “*performance goals and activities*” in the LS performance budget document. The correlation of information in the two sources was the strongest for eLCplans’ *strategies* and information comparable to those *strategies* included in the LS *FY 2009 Performance Budget*. As shown in Table 1, the correlation rate was 82% in that case. However, correlations were significantly less in other categories.

Category	Number in FY 2009 Performance Budget	Number Traced To eLCplans	Percentage Correlated
Strategic Goals	5	0	0
Strategic Objectives	15	6	40
Performance Goals	33	3	9
Activities	68	11	16

Table 2. Comparison of *Fiscal Year 2009 Performance Budget* to eLCplans

We believe that presenting performance information with consistent terminology across platforms will enhance its value and potential for effectively communicating LS’ performance management activities.

Recommendation

We recommend that LS management prepare documents succeeding the *Fiscal Year 2009 Performance Budget* document in a format and with terminology consistent with eLCplans.

Management Response

Management substantially agreed with our recommendations.

II. LS Management Should Improve the Quality of Performance Target Data

The success of any performance management system depends on the accuracy and validity of the underlying data. Together, OCFO Directive 08-09 *Strategic and Annual Program Performance Planning* and LCR 1511 *Planning, Budgeting, and Program Performance Assessment*, place responsibility on service/support units to ensure that valid and verifiable data is used in program performance assessments. Accordingly, service and support units should maintain effective systems of internal control for collecting and processing performance data to ensure that accurate and reliable program performance assessments can be made.

We analyzed the program performance data of five service units for our report, *Managing in the Spirit of GPRA: Developing Credible Performance Data is the Next Step* (Audit Report No. 2009-PA-104, March 2010), and concluded that the quality of data varied. Our analysis of LS' performance data yielded a similar result.

Our analyses of LS' performance data showed:

- A high ratio of *output-* to *outcome-*related performance strategies and targets;
- The absence of data to support color ratings;⁶ and
- The use of invalid data to support green ratings for (i.e., "fully achieved") performance targets.

Details on these findings are as follows.

⁶ The Library uses a performance rating system in eLCplans to evaluate progress towards achieving performance strategies and targets as follows: Green—fully achieved, Amber—less than fully achieved, Red—unsuccessful.

Output Related Strategies and Targets

The Government Accountability Offices (GAO) states that “[o]utputs can be defined as the direct products and services delivered by a program. Outcomes are the results of those products and services.”⁷ GAO also noted that although an

	Number	Output	Outcome	Green	Amber	Red
Strategy	11	8	3	11	0	0
Target	25	14	11	25	0	0

Table 3. Analysis of eLCplans Strategies and Targets

agency could use both output and outcome goals in planning its performance, GPRA is outcome oriented and recommended that an agency use outcome goals in its performance plan whenever possible,⁸

because outcomes measure actual results achieved, as opposed to production. LS’ output- and outcome-related performance strategies and targets as recorded in eLCplans are summarized in Table 3, which shows that the number of LS’ *output*-related performance strategies and targets exceeds the organization’s number of *outcome*-related strategies and targets. This suggests that the focus of LS’ performance management program is not in line with the intention of GPRA. An organization should strive to achieve *outcome*-related results to meet GPRA’s intent. Moreover, *outcome*-related strategies and targets generally outnumber those which are *output*-related in a mature organization. In our view, an organization with more *outcome* than *output* strategies and targets will receive more benefit from its performance management activities.

Quality of Data Supporting LS’ Program Performance Ratings

Table 4 provides the results of our analysis of data in eLCplans regarding 25 LS program performance targets.

Table 4 shows that data supporting LS-assigned program performance ratings did not appear to exist in three cases and was not provided to us by LS in two other cases. All five of those targets were assigned green ratings by LS management. The value of a performance management effort is diminished when supporting data for evaluation ratings is unavailable or does not exist.

⁷ The Results Act-An Evaluator’s Guide to Assessing Agency Annual Performance Plans, GAO/GGD - 10.1.20, April 1998, Version 1.

⁸ Id.

Table 4 also shows that the data LS used to support six of its performance target ratings did not justify the ratings that LS assigned to the targets in those cases. Two LS' targets in eLCplans which illustrate this conclusion include strategy 6, target 1 and strategy 9, target 1.

Strategy 6, target 1, called for the Cataloging Distribution Service of the LS Office of Business Enterprises to reduce operating costs. LS assigned a green rating to that performance target. The data that LS used to support the assigned rating included:

- A memorandum from the Director of Human Resources Services noting the formal reorganization of the Office of Business Enterprises;
- A 2008 and 2009 Status of Funds Report;
- A budget spreadsheet for 2008 and 2009; and
- A table showing personals vs. non-personals budget obligations for FY08 and FY09.

Condition	Number	Percent
Data collected and supported target conclusion	14	56
No supporting data collected or summarized	3	12
Data provided does not support target conclusion	6	24
No data provided	2	8
Total	25	100
Table 4. Review of eLCplans Target Data		

The data do not adequately validate the green rating that LS assigned to the performance target. The memorandum from the Director for Human Resources did not include results and has little relevance to the target's conclusion. The table of budget obligations indicates that the organization's total obligations decreased by only 0.8 percent - which did not meet the planned reduction level of two percent.

Additionally, the data that LS used to support the rating it assigned to the performance target illustrate confusion regarding the application of budgeting and financial accounting information contained in the Status of Funds Report and budget spreadsheet. A reduction in budget obligations for a fiscal year may not necessarily result in a reduction in that year's operating costs. LS management could avoid such confusion when assessing performance by using data which is technically applicable to the target.

Strategy 9, target 1, called for LS' Business Enterprise Division to "[e]nsure products and services meet customer needs [and to] [i]ncrease percentage of revenue from web-based products."

Once again, LS assigned a green rating to the performance target. In this case, the data that LS used to support its rating consisted of a table depicting FY08 and FY09 total revenue and web revenue with applicable percentages.

The data do not adequately justify the green rating that LS assigned to the target for two reasons. First, LS did not provide any data which demonstrated that the needs of the division's customers were met. Among other possibilities, such data could have included a survey seeking customer feedback on the division's products and services. Second, although the data in the table indicate an increase in the percentage of web-based revenue, the increase is largely attributable to a decline in the division's total revenues. Therefore, the increase in web revenue was actually a by-product of mathematics, not an indication of the division's improving operations.

Inaccurate and invalid performance data jeopardize management decision-making, and may render useless the effort invested in developing a performance management system. Accordingly, LS should design and implement an internal control system which will ensure that valid and verifiable data will be collected and used to measure program performance.

Recommendations

We recommend that LS management

1. Focus on developing more *outcome*-related performance strategies and targets.
2. Design and implement an internal control system which will ensure that valid and verifiable data will be collected and used to measure program performance.

Management Response

Management substantially agreed with our recommendations.

▶▶ CONCLUSION

LS is making substantial progress towards implementing an effective performance management program which is consistent with Library policy and procedures and the “spirit of GPRA.” Developing consistency between LS’ performance management format and the Library’s eLCplans framework will assist LS management in reporting its performance results more clearly. Additionally, LS’ development of a system of internal control to assure the validity and integrity of its performance data will prevent erroneous conclusions from being reached regarding the organization’s performance.

Major Contributors to This Report:

Nicholas Christopher, Assistant Inspector General for Audits

John Mech, Lead Auditor

Jennifer Dunbar, Management Analyst

▶▶ APPENDIX A: MANAGEMENT RESPONSE



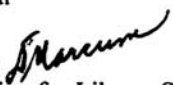
LIBRARY OF CONGRESS

ASSOCIATE LIBRARIAN
FOR LIBRARY SERVICES

LIBRARY SERVICES

January 12, 2011

TO: Karl W. Schornagel
Inspector General

FROM: Deanna Marcum 
Associate Librarian for Library Services

SUBJECT: Response to Library-Services Performance-Based Budgeting Draft Audit Report

This is in response to the OIG report on Library-Services Performance-Based Budgeting, Draft Audit Report No. 2010-PA-107. I am pleased that your office has recognized the progress we have made in formulating the Library Services Strategic Plan for 2008-2013 and Performance Budget that links our work and resources (budget and staffing) to the Strategic Plan. I agree with the findings and recommendations contained in the report and have addressed each recommendation below:

We recommend that LS management prepare documents succeeding the Fiscal Year 2009 Performance Budget document in a format and with terminology consistent with eLCplans.

Target language

It should be noted that much of the eLCplans data reviewed was created in FY2008 or even FY2007. Library Services developed its strategic plan and targets after this and was unable to update the eLCplans targets to reflect the revised language. However, Library Services' FY2011 eLCplans targets now have language that is consistent with our FY2011 performance budget.

Strategic plan formats

Library Services recently received the final version of the new Library of Congress Strategic Plan, FY 2011-2016. The Strategic Planning Office (SPO) is developing guidance on the planning and budgeting framework for the new Plan. When this has been finalized, we will adjust our future performance budgets, beginning with the FY2012 budget cycle, to be more in line with the new framework.

We recommend that LS management

(1) Focus on developing more outcome-related performance strategies and targets.

(2) Design and implement an internal control system which will ensure that valid and verifiable data will be collected and used to measure program performance.

Outcome-related performance strategies

We followed the guidance of SPO and rewrote almost all of our FY2011 strategies and targets to be outcome-related.

Valid and verifiable data

As a first step, a member of this year's Leadership Development Program is currently assisting us with developing written guidelines, definitions, and procedures for collecting and recording data. Priority will be given to targets that appear in eLCplans.

When final guidance from SPO is available, LS will revisit its current performance targets and determine what changes should be made to reflect the new, Library-wide procedures.

Finally, I wish to thank you and your staff, in particular John Mech and Jennifer Dunbar, for the careful analysis, useful report, and recommendations on Library Services' performance-based budgeting. We will keep you informed as we continue to address the recommendations.

Cc: Sandy Lawson, LS
Nick Christopher, OIG
John Mech, OIG
Jennifer Dunbar, OIG