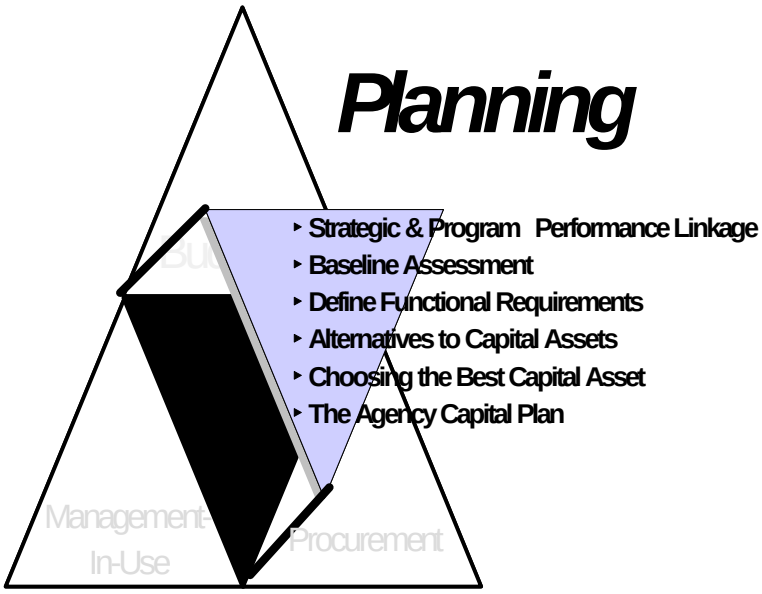
I. PLANNING PHASE



Introduction. There is an unseverable connection between planning and budgeting, a connection through which an agency decides what to do and how to do it well. A plan connotes a series of actions contemplated and results desired. A budget should present the resources to be allocated and the results expected. Thorough planning is particularly critical when managing within limited budgets. There can be no good budget without a plan, and there can be no executable plan without a budget to fund it.

There have been many attempts to find techniques for structuring this linkage within the Federal Government. The Planning, Programming, Budgeting System, Management By Objectives, Zero Based Budgeting and other methods were tried and mostly discarded. Often, the techniques overshadowed the fundamental questions. *What are we getting for what we are spending? How do we connect resources with results?* The Government Performance and Results Act (GPRA) puts into law for the first time the requirement for developing strategic plans and tying them to resource requests.

This Guide stresses the importance of linking the planning, funding, procurement, and management of capital assets in an agency's portfolio to goals and objectives spelled out in its strategic plan and annual performance plans. Strategic plans span five years. Planning for capital assets should do the same. The Annual Performance Plans, which describe an agency's incremental progress toward achieving its strategic goals and objectives, should also clearly demonstrate how capital assets will contribute to this progress.

Agencies should not have to plan for the same thing more than once. Strategic plans, annual performance plans, and plans for capital assets should flow from the *same* process for identifying: a baseline of current performance and the gap between current and planned performance (Step I. 2.); functional requirements for bridging this gap (Step I. 3.); alternatives for meeting these functional requirements (Step I. 4.); the best capital asset solution if one is needed (Step I. 5.); and a summary of proposed funding, procurement, and management of each capital asset within the agency's portfolio of assets in an Agency Capital Plan (Step I. 6.). Information technology (IT) capital asset planning required by the Clinger-Cohen Act is an integral part of the agency capital programming process.

STEP I.1. STRATEGIC AND PROGRAM PERFORMANCE LINKAGE

I.1.1. Strategic Planning

Capital programming is an integral part of an agency's strategic planning process, within the framework established by GPRA. The initial strategic plans, due to OMB and Congress by September 1997, are expected to include:

- a comprehensive mission statement;
- long-term goals, covering a five year period, for the agency and an explanation of how they will be achieved;
- schedule and resource implications of goal achievement;
- description of the relationship between annual performance goals in the annual performance plan and the long-term goals in the strategic plan; and
- identification of external factors that could affect the achievement of long-term goals.

Figure 1. Strategic Planning at NASA

By the mid-1980s, NASA was struggling to define its mission and defend the public's return for its spending. Its budget already in decline, NASA realized it would have to change to survive. Since 1993, NASA has been using the development of its strategic plan to align resource allocation and program decisions within its newly-defined mission: (1) to advance and communicate scientific knowledge and understanding; (2) explore and enable the development of space; and (3) research, develop, and transfer advanced space and aeronautic technologies.

NASA has established four Strategic Enterprises to carry out this mission -- Aeronautics and Space Transportation, Space Technology, Human Exploration and Development of Space, and Mission to Planet Earth. Each Center develops a Center implementation plan within its areas of core competency to align its activities with the strategic direction of the Agency and Enterprises it supports. Headquarters guides the plans, so that the Centers support one another, not duplicate effort. Cost reduction measures, such as performance-based contracting and outsourcing functions, like Space Shuttle flight operations, are spelled out in each Center's plan.

The planning process has not been easy. Much work remains before performance indicators and organizational structure are fully integrated into NASA'a strategic plan. Still, the benefits of *Better-Faster-Cheaper* within the strategic planning framework are becoming clear. NASA launched an average of two scientific spacecraft a year between 1990 and 1994. Over the next five years, it will increase the launch rate to eight. By 2004, it plans to launch 12. It will do this with 5.000 fewer employees than in 1993 and with 50,000 fewer contractor employees.

An effective strategic plan should anticipate changes in the agency's requirement for technological capabilities, identify major capital assets that are critical to implement the Plan, and define the outcomes these assets will help realize. The plan should also be consistent with the level of future budgetary resources that will be available.

Developing an agency mission, and then the long-term objectives and annual performance goals for each major program based on that mission, produces powerful tools for justifying the principal activities of the agency. These tools help define what the agency will do, and establish performance targets to measure if the agency does it well. Figure 1 describes how NASA is using strategic planning to guide a major restructuring intended to boost productivity by 40 percent while avoiding the cancellation of major programs -- despite cutting its budget by 36 percent from 1995 through the year 2000.

A 1996 GAO study[1] found that three practices appear to be critical for strategic planning to have this impact. Organizations should:

- involve their stakeholders, including Congress and the Administration, state and local governments, third-party service providers, interest groups, agency employees, fee paying customers, and the public;

- assess their internal and external environments continuously and systematically to anticipate future challenges and make adjustments so that potential problems do not become crises; and

- align their activities, core processes, and resources to support mission-related outcomes.

By the time this Guide is published, each agency should be well on its way to developing its initial strategic plan. The Steps of this Phase may lead agencies to revise the portions of strategic plans pertaining to capital assets.

I.1.2. Program Goals and Objectives

As required by GPRA and OMB Circular A-11, Part 2, *Preparation and Submission of Strategic Plans*, these plans will include the following when the FY 1999 agency budgets are submitted to OMB:

- performance goals tied to strategic goals -- to define the level of performance to be achieved by specific activities or projects identified as a program activity in the budget, typically in an objective, quantifiable, and measurable form;

- performance measures for outputs, service levels, and outcomes of each program activity;

- a description of the operational processes, skills, human and capital assets, and other resources required to meet these goals;

- a basis for comparing actual program results with the established performance goals, including goals established for assets during the procurement of a new capital asset; and

- a description of the means to be used to verify and validate measured values.

The goals and objectives described in these annual performance plans should demonstrate incremental progress toward the long-term goals and objectives described in the agency strategic plan.

Program goals and objectives should describe how outputs and outcomes will be achieved. The role of a capital asset in achieving these outputs and outcomes should be made clear. *Outputs* -- e.g., the number of youths trained, the number of social security checks disbursed -- help managers measure efficiency, giving them a better sense of how much "bang" we are getting for the "public's buck."

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1 GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, GAO/GGD-96-119, June 1996, pp. 13, 18-19.

Outcomes -- e.g., the number of youths that get and hold a job, the number of elderly Americans who live above the poverty line -- give managers a sense of the effectiveness of the use of that public dollar. Appendix Two provides examples of outputs and outcomes, by Government function.

Once the budget and the annual performance plans are approved by Congress and apportionments are made by OMB, the annual performance plans are revised to reflect any changes and turned into that year's operational plan.

I.1.3. Capital Planning and the First Iteration of Strategic Planning

Capital assets should be planned for, acquired, and managed in light of their ability to contribute to accomplishing program outputs and outcomes, as described in the agency strategic plan. OMB Circular A-11, Part 3, *Planning, Budgeting, and Acquisition of Capital Assets* requires that this contribution be described in the agency budget submission to OMB.

Agencies should have undertaken Steps 2 through 6 of the Planning Phase when determining the capital assets to be included in their strategic plans and annual performance plans. Agencies that have not should consider developing another iteration of their strategic plans. While these plans have a five-year horizon, they are not fixed in stone. When first undertaking the process, both businesses and public agencies often produce several iterations of long-term plans before they "get it right." NASA, for example, issued the first version of its strategic plan in May 1994, and has gone through several iterations since, as managerial priorities and resource expectations have changed. Step I. 6. describes more fully how strategic, annual performance, and capital plans can be linked.

STEP I.2. BASELINE ASSESSMENT AND IDENTIFYING THE PERFORMANCE GAP

Given current demands to deliver more with less, strategic and annual performance plans can be expected to establish performance levels beyond current capacity, or to maintain current performance with fewer resources. Agencies should form a multi-disciplinary Integrated Project Team (described below) for each major program to evaluate the capacity of existing capital assets for bridging the performance gap between current and planned results. This assessment of the existing performance baseline should cover assets currently in use and those being tracked in the Procurement Phase, including those acquired by purchase, capital lease, operating lease, service contract, or exchange. Criteria for the baseline assessment should include each major asset's current or anticipated:

- functionality;
- full life-cycle costs, including all direct and indirect costs for planning, procurement, operations and maintenance (operational analysis should be used to evaluate condition and any negative trends on cost projections for assets in use), and disposal;
- the affordability of full life-cycle costs relative to expected funding levels;
- associated risks; and
- agency capacity to manage the asset.

Figure 2. Integrated Project Teams (IPTs)

The IPT concept was developed by leading private companies, such as Boeing, and has been successfully applied at the Defense Department and NASA. IPTs should feature multi-disciplinary membership and leadership by the senior program manager. Their focus should rest on ownership by the program managers who use the assets, accountability for results, and long-term continuity.

Applying these criteria across programs allows an agency to build an original portfolio of capital assets from which it can explore alternatives for filling the performance gap. Once a program's functional requirements for achieving its goals and objectives are determined (Step I.3.), and if alternative means of meeting those requirements have been evaluated and discarded (Step I.4.), the development of a portfolio based on common criteria allows the executive review committee to evaluate and prioritize competing capital asset options with greater clarity (Steps I.5. and I 6.).

Agencies that are formally developing an Information Technology Architecture, as defined in the Clinger-Cohen Act and in accordance with the guidance developed by OMB, will be well on their way to establishing the baseline assessment with respect to IT. One of the fundamental aspects of an Information Technology Architecture is the identification of current systems -- their performance and their continued value with respect to agency missions, goals, and business functions.

I.2.1. Integrated Project Team

The Integrated Project Team (IPT), established to analyze the performance and capability of the portfolio of assets used by the program, should be led by a qualified program manager, supported by budgetary, financial, procurement, user, program, information resource management, value management professionals (see Figure 3), and other staff as appropriate.

Figure 3. Value Management

Value management is an analysis methodology consistent with the Guide's total process analysis, which businesses and public agencies are applying to capital asset programming. Staff trained in value management identify alternatives to perform a function, recommend which "best value" option should be selected, and plan for and manage implementation. Such staff are already assigned to most Federal agencies and should be productive members of IPTs. Appendix Nine describes this method.

The program manager should be given a charter defining the scope of authority, responsibility and accountability for providing quality analysis to support senior management decision-making during all Phases of capital programming. Such leadership by program offices is intended to ensure that capital assets will be designed and operated to improve the performance of the program staff who use them -- a seemingly self-evident goal, but one many businesses and government agencies have failed to reach. For example, information systems are developed by technology or finance specialists alone, without the benefit of an agency-wide review of the system's requirements and capabilities. Appendix 3 discusses IPTs in more detail.

STEP I.3. FUNCTIONAL REQUIREMENTS

If current assets cannot bridge the gap between planned and actual performance, the IPT should define the gap in terms of performance requirements to be achieved. Depending on the depth of the analysis of program requirements during the first round of strategic planning, the IPT may wish to define more detailed requirements against which they can evaluate options for reducing the performance gap. Figure 4 provides an example.

Figure 4. Example of Detailed Program Requirements

A corrections program would have public safety as part of its mission and goals regarding rehabilitation and secure incarceration of inmates. At one site, several facilities house 9,000 inmates, classified as maximum, medium, and minimum-security prisoners. A baseline assessment determines that the program's goals cannot be met with the current old, overcrowded, and poorly designed facilities. Despite sound policies and procedures, rates of escape and violence are well above program performance objectives, while rehabilitation rates fall short. To achieve its objectives, management would judge the desirability of capital asset options for meeting the distinct functional requirements for maximum, medium, and minimum security prisoners.

For inmates with minimal security requirements, management may enter into a service contract with a private contractor instead of building and operating a new facility to house them. Because the program has made proximity to family a key functional requirement -- since it improves rehabilitation rates -- the privatization option would only be considered if contractors offered suitable services and/or facilities within 50 miles of the inmates' place of residence. But for violent prisoners with life sentences, security requirements would force management to consider alternatives involving only government facilities. Reduced emphasis on functional requirements for rehabilitation would present the option of transferring these prisoners to under-used, high-security facilities up to 400 miles away instead of building a new facility on the present site. Distinct requirements for distinct prisoners lead to analysis of distinct capital asset alternatives.

The IPT should provide its findings to the Executive Review Committee, which should consider how much of the performance gap it should propose to eliminate. The degree to which an objective may be satisfied will depend upon policy priorities and resource constraints.

Functional requirements should not be defined in equipment or software terms, but in terms of the mission, purpose, capability, agency components involved, schedule and cost objectives, and operating constraints. Mission needs are independent of a particular capital asset or technological solution. Such an approach allows the agency the flexibility to evaluate a variety of solutions with an open mind. The key is not to limit potential solutions by too narrowly defining requirements.

When developing functional requirements the capabilities of other assets or processes with which the function must interact are a major consideration. For example, a requirement to meet a program's goal of providing a warning about hurricanes within a certain number of hours before they reach landfall may indicate that a new satellite with the latest technology could be a solution. But, if the program's ground stations use obsolete technology, or if the system used to interpret and disseminate the satellite's information is cumbersome, merely improving the satellite's functional capacity will not enable program performance to reach its full potential.

Functional requirements should include the following elements:

- the performance criteria of the function being acquire, developed, built, etc.;
- a definition of the common usages of the function;
- the ranking of each requirement in order of importance; and
- a decomposition of functional requirements into self-contained features (e.g., climate control for housing prisoners might have unique requirements that should be identified).

Figure 5. Considerations when Planning for High-Tech Assets

One common issue with technology projects is the fact that, by its very nature, technology is changing rapidly. Part of dealing with this is being able to recognize the need for keeping technology projects within short time frames. If new technology appears during the project, the project management should be convinced that using it is worth the risk and is within cost and schedule parameters. *It should never be automatically used, simply because it is the "latest technology."* Other suggestions for defining functional requirements:

- Be on the leading edge, but never the "bleeding edge" of technology.
- Build a solid foundation, using commercial items.
- Have a "plain vanilla" foundation in place, before you begin to customize.
- Issue notices of need in terms of requirements to be done, not specific solutions.

For IT systems, state requirements using an "open" system architecture whenever possible. A system is considered "open" when it has the following characteristics:

- User applications are not tied to a single hardware or system software manufacturer;
- New functionality can be added from a different contractor without significant effort; and
- Other systems can be tied into the system without significant effort.

Open architectures help avoid proprietary and custom-developed products with little flexibility or upgradability. The cost effective approach is to buy products that work together with other agency systems and provide clean interfaces for reuse with new applications when feasible.

Figure Five describes other factors to consider when planning requirements for potential high-tech solutions.

Internal agency users and external customers (e.g., airlines for air traffic control systems, veterans for new benefits processing systems) should participate in the requirements definition process. It is important to balance the internal user and operator needs with the requirements of the external customers. Other agencies that may have acquired assets to accomplish similar goals or objectives should be identified. Where feasible, large, complex acquisitions that are very difficult to manage should not be pursued on an individual agency basis. Instead, management should look for cross-agency or government-wide economies to avoid duplication of effort.

One acute danger during this Phase is “specification creep,” where requirements grow uncontrolled to meet future potential needs or to incorporate emerging technology that would be “nice” to have. Emphasis should be placed on core requirements needed to meet the mission needs. Once a solution meets the core requirements, additional functionality can be added in a later stage of the project, if cost-beneficial. These functional requirements should be documented in the strategic plan.

STEP I.4. ALTERNATIVES TO CAPITAL ASSETS

I.4.1. Answering the Three Pesky Questions

Management should reengineer business processes first, then consider investing in capital assets.

With detailed requirements defined, management should answer the ***Three Pesky Questions*** before planning to acquire capital assets. These questions, which should have been raised during the strategic planning process, are drawn from the *Principles of Budgeting for Capital Asset Acquisitions* (see Appendix Seven) in the President's FY1998 Budget and the Clinger/Cohen Act. The Questions are applicable to all major capital investments, and are consistent with those posed by the Vice-President's National Performance Review, when "REGO II" was launched. The Three Pesky Questions are:

1. ***Does the investment in a major capital asset support core/priority mission functions that need to be performed by the Federal Government?***

- If not, end consideration of the investment and eliminate or privatize the function;

2. ***Does the investment need to be undertaken by the requesting agency because no alternative private sector or governmental source can better support the function?***

- If not, consider devolving the function to state or local governments; sharing resources within the agency; with another Federal agency, a university, not for profit organization; or outsourcing to the private sector. For example, medical care can be provided through payments for care in non-profit or private hospitals, rather than directly by Federal agency hospitals.

- Also, if an agency is currently performing a function that could produce the requirement (e.g., an in-house software function), the decision to use in-house or contract resources must consider the requirements of OMB Circular A-76. (See Appendix Eight for further discussion of A-76).

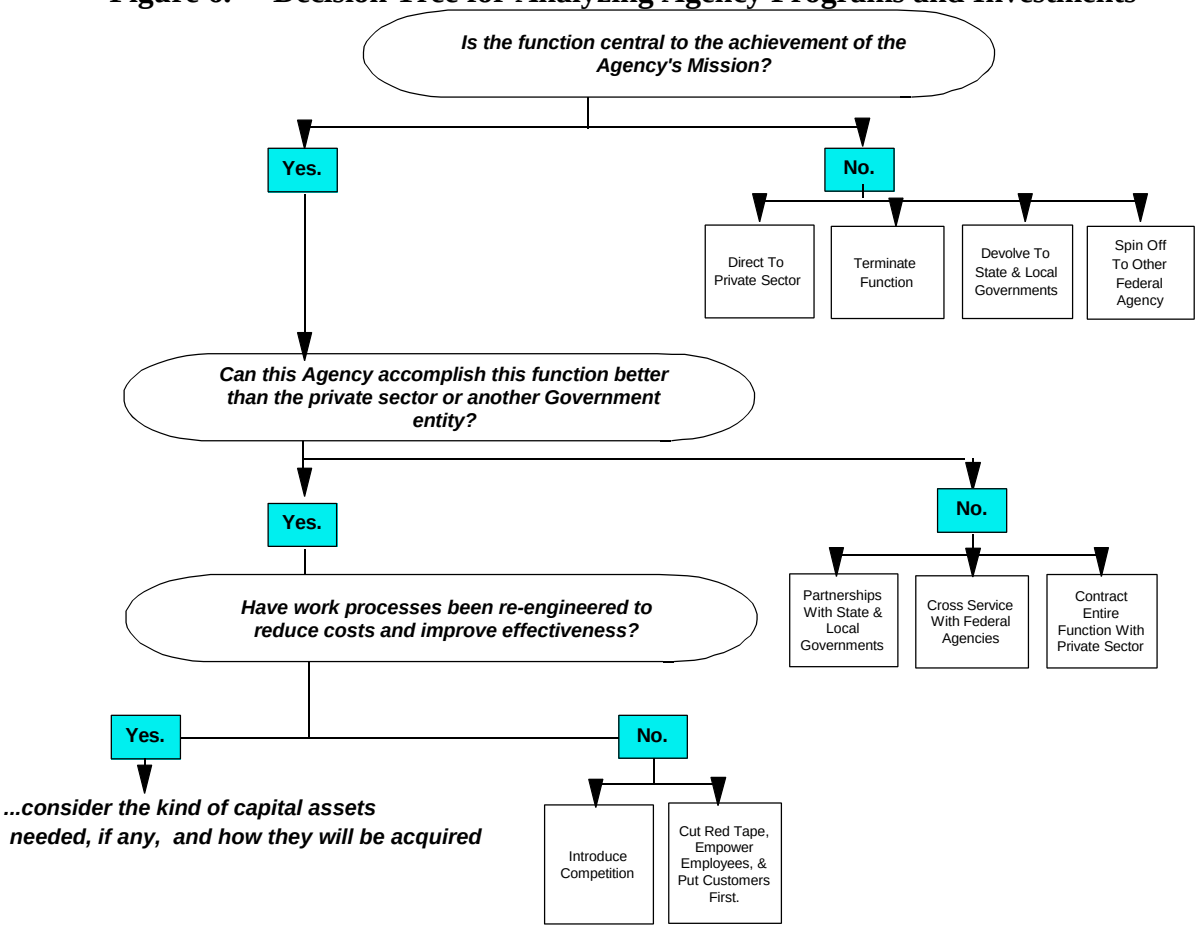
3. ***Does the investment support work processes that have been simplified or otherwise redesigned to reduce costs, improve effectiveness, and make maximum use of commercial, off-the-shelf technology?***

- If not, management should reengineer business processes first, *then* search for alternatives, or the agency may issue a very broad statement of the requirements in a solicitation to the private sector and allow the private sector to do the reengineering in proposed solutions.

- Management should also improve internal process through cutting red tape, empowering employees, revising or pooling existing assets within the agency or with other agencies, redeploying resource, or offering training opportunities.

- GAO's April 1997, Version 3, *Business Process Reengineering Assessment Guide* explains the issues and attributes on which agencies should focus when assessing and reengineering their current processes.

Figure 6. Decision Tree for Analyzing Agency Programs and Investments



If the answer to all Three Pesky Questions is *yes*, management should still consider options other than new acquisitions to reduce the performance gap, such as:

- meeting objectives through regulation or user fees;
- using human capital rather than capital assets; and
- applying grants or other means beyond direct service provision supported by capital assets.

I.4.1.1. Frequent Use of Benefit-Cost or Cost Effectiveness Analysis

At many key decision points in the capital programming process, a benefit-cost or cost-effectiveness analysis could be used by senior management to help decide whether the best way to reduce the performance gap is through acquiring a new capital asset, undertaking a major modification on an existing asset, or some other method. This analysis should follow the guidance of OMB Circular A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs*, which is summarized in Step I.5.2.

Guidelines for pursuing alternatives other than a capital asset are not contained in the remainder of this Guide. However, if the alternative chosen is a service contract, many of the analytical techniques and processes suggested in the Guide would be appropriate.

STEP I.5. CHOOSING THE BEST CAPITAL ASSET

With the decision to evaluate the feasibility of acquiring a capital asset, management should provide the IPT with an estimate of the range of budget resources that may be available for an asset. The IPT should conduct market research to determine the feasibility of various capital asset alternatives that are available in the market to satisfy the requirements. Emphasis should be placed on generating innovation and competition from private industry and on the use of commercial items and non-developmental items to meet the mission needs. The IPT should determine:

Agencies should not undertake planning before a project is funded merely for the sake of compliance. They should plan because it results in better use of scarce resources and improves implementation.

- ***Availability***. Can the market provide capital assets that partially or fully meet program requirements? How much of the need can be fulfilled without the need for developing new technologies or incurring other significant risk?

- ***Affordability***. Are the assets affordable within budget limits? If the full requirement is not affordable, can it be divided into separate modules that are affordable?

- ***Costs & Benefits***. For those alternatives that are affordable within budget limits, which are the most cost-beneficial, and should be among the portfolio of proposed assets that the agency head, the President, and Congress consider for funding? (Value management methodology can provide the "best value" alternatives to meet the functional requirements.)

The process of choosing the best capital asset starts with the development of a strategy to review the market and ends with the development of an acquisition plan that outlines the best approach to acquire the recommended asset. Plans for asset evaluation, operation and maintenance, and disposal should also be developed, with the execution costs included in the Feasibility Analysis. If funding for the proposed asset is approved at the end of the Budgeting Phase, these plans will be executed in the Procurement and Management-In-Use Phases.

I.5.1. Asset Availability

A program manager supported by thorough market analysis is an educated consumer, and is more likely to complete a program successfully. Availability is assessed by *market surveillance* and *market*

research, ultimately producing a list of investment alternatives, accompanied with data necessary to assess affordability, benefits, and costs.

Market surveillance is an on-going process, one that is not driven by a specific planned acquisition. The IPT technical staff should keep abreast of the latest capabilities and performance through trade journals, advertisements, sales brochures, etc. Market research is undertaken with respect to a specific planned acquisition; it is the proactive part of market analysis. In market research, the IPT seeks information through research of published information, talking to other agencies that have conducted similar market research, and/or by going directly to the market for information.

I.5.1.1. Market Research Strategy

Agencies should encourage contractors to provide any solution they believe will meet the agency's needs . . . The key is to not restrict potential offers by specifying requirements too narrowly.

The IPT should begin with a plan to conduct both market surveillance and market research to ensure that as many alternative solutions as possible are identified for consideration. The plan should define the use of broad area announcements, requests for information, or requests for proposals to solicit information on alternative concepts from a broad base of qualified firms. When these documents are issued, contractors should be provided with mission performance criteria, life-cycle cost, and any other factors that the agency will use in the evaluation and selection of the solutions Emphasis should be placed on solutions that are currently available (i.e., do not require significant development) with little risk in cost, schedule, performance, and technical obsolescence. This means commercial items (CI) or non-developmental items (NDI) where little or no development effort is required are preferred. However, contractors should be encouraged to provide any solution they believe will meet the agency's needs, including providing the capability contemplated through a service contract or lease. The key is to not restrict potential offers by specifying requirements too narrowly.

Agencies can, through market analysis, seek preliminary information on alternatives available in the commercial sector. If the information does not provide a clear indication that acceptable solutions are available, it may be necessary to award contracts to explore alternative design concepts. These contracts should be of relatively short duration and within defined dollar levels. When market capability is not sufficient to fulfill the agency's entire performance gap, the IPT should carefully weigh the extent of increased capability that can be obtained quickly within budget limits against the delay in capability improvement, risk of failure, and costs of a development effort to achieve the desired capability. In many cases, evolutionary changes in capability over time are the most cost-effective approach. Timely technical reviews should be made of the alternatives to ensure the orderly elimination of those that are least attractive.

There may be instances in which several alternatives offer essentially the same benefits and costs. In those instances, it may be necessary to conduct comparative demonstrations, where the different

alternatives are actually tested in the operational environment for a period of time, to determine the best product.

I.5.2. Selecting the Best Alternative: Benefit-Cost Analysis

Once the IPT determines that it has sufficient market information on alternative solutions, it should compare the initial acquisition cost and the other life-cycle cost elements of the various alternatives. It is critical that the cost estimates are realistic estimates of the final costs. When seeking funds during the budget process, the credibility of the costs will be examined, and agencies will be held accountable by OMB and Congress for meeting the schedule and performance goals within the cost estimates. Alternative solutions that are not affordable within potential budget availability should be dropped from consideration, but documented for comparison purposes. The information needed to determine whether a proposed acquisition is affordable is based on a juxtaposition of three factors: availability of potential funding; agency mission objectives the investment will help achieve; and the impact that purchasing the new asset will have on funds available for other agency mission objectives.

When seeking funds during the Budget Phase, the credibility of cost estimates and goals will be examined, and agencies will be held accountable for meeting them.

The selection of the best alternative to compare with other agency projects should be based on a systematic analysis of expected benefits and costs. The fundamental method for formal economic analysis is benefit-cost analysis. OMB guidance on benefit-cost analysis can be found in OMB Circular A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs*. The elements of benefit-cost analysis include:

1. ***Identify Assumptions and Constraints***. Assumptions are explicit statements used to specify precisely the environment to which the benefit-cost analysis applies. Assumptions reduce complex situations to manageable proportions. Constraints are requirements or other factors that cannot be traded off to achieve a more cost-beneficial approach.

2. ***Identify and Quantify Benefits and Costs***. Benefits and costs should be quantified in monetary terms wherever possible. All types of benefits and costs should be included, and should be discussed in a narrative. The level of detail should be commensurate with the size and criticality of the investment. The benefits should be linked to the program goals and needs identified in previous Planning Steps. Benefits and costs should be estimated over the full life-cycle of each alternative considered. Life-cycle costs include all initial costs, plus the periodic or continuing costs of operation and maintenance (including staffing costs), and any costs of decommissioning or disposal. Estimates of costs and benefits should show explicitly the performance and budget changes that result from undertaking the project.

3. ***Evaluate Alternatives Using Net Present Value***. Investment alternatives should be evaluated using the net present value criterion. Potential projects should be ranked according to the discounted value of their expected benefits, less the discounted value of expected costs. (Appropriate discounting techniques are described in OMB Circular A-94). Qualitative evaluation considerations -- such as explicit regulatory requirements, considerations of business strategy, or unquantifiable social benefits or costs -- may override quantitative criteria in deciding on the final ranking of projects. The analysis may be supplemented by including other summary measures, like the internal rates of return on the alternative projects or return on assets. Effects on income distribution should be identified for projects that have such effects. Even when the monetary value of benefits or costs cannot be measured, physical quantification may be feasible and should be pursued. When the benefits of alternative investments are the same, cost-effectiveness analysis may be used to rank alternatives. An investment is most cost effective when it has the lowest discounted present value of life-cycle costs for a given stream of annual benefits. When benefits are different, the most cost-effective investment is the one that has the highest discounted net (of cost) benefit.

4. ***Perform Risk and Sensitivity Analysis***. Benefit and cost estimates are typically uncertain. Risk analysis can be used to identify where the relevant uncertainties exist or where development work will be needed to resolve the uncertainties. For example, installation costs are not always identified exactly and can exceed expectations. Unexpected technological changes may make new equipment obsolete sooner than foreseen. Sensitivity analysis can identify the response of program costs and benefits to changes in one or more uncertain elements of the analysis. Sensitivity analysis should be used to test the response of the investment's net present value to changes in key assumptions.

I.5.3. Develop an Acquisition Strategy

The IPT should begin to tailor an acquisition strategy for the program as soon as the best alternative is selected. The acquisition strategy and risks should be part of the information provided to the Executive Review Committee when seeking approval of the project.

I.5.3.1. Risk Management

Planning for risk management for the life cycle of the asset should be considered in every acquisition. The types of risk agencies face include schedule, cost (both acquisition and life-cycle), technical obsolescence, feasibility, reliability and risk of project failure, dependencies between a new project and other projects or systems, and risk of creating a monopoly for future procurement. In developing the risk management strategy, IPTs should assess the different kinds of risk for different parts of the project and should limit any development of new technology. High risk should be accepted only insofar as it can be justified by high expected returns, and only if project failure can be absorbed by the agency without loss of

High risk should be accepted only insofar as it can be justified by high expected returns.

service capability or significant affect on budget. Decision thresholds should be set for cost, schedule and performance expectations of development projects beyond which the return on investment becomes so low that the project should be canceled.

The greatest risk to successful completion of acquisitions is the amount of development work desired. Additionally, projects that involve a wide scope involve more risk than those that limit what they are trying to accomplish. Figure 7 describes industry executives' confirmation of *Pareto's 80/20 Rule* -- that when it comes to acquiring capital assets, trying to achieve more than the market can provide is not good business.

Figure 7. Pareto's 80/20 Rule

In a survey of private industry IT investments undertaken by OFPP in 1995, industry executives emphasized Pareto's 80/20 rule:

"The last 20 percent of improvement will yield only marginal benefits and will generally cost more and take longer than the first 80 percent."

The executives stressed that the costs and complexity associated with the last 20 percent of the project are typically too great to even be attempted.

I.5.3.2. Planning for Contract Type

The agency should strive to use fixed price or fixed price incentive contracts to the maximum extent possible. The ability to use fixed price contracts results from the fact that the capability the agency is seeking is available in the market. The need to use cost type contracts usually means that the capability is not readily available in the market, requiring a risky development effort to be undertaken.

I.5.3.3. Planning for Competition

The acquisition strategy should include how to make the most effective use of competition in all phases of the process. In most cases, competition will yield better value at lower prices. In looking for ways to make the most effective use of competition, agencies should pay special attention to using: (1) performance-based contracting, where innovative solutions are sought to meet functional requirements rather than the more traditional method of detailed government specifications; (2) competitive demonstrations, where the government allows several competing vendors to demonstrate their products or

LET COMPETITION IMPROVE RESULTS through . . .

- ***Using commercially available and non-developmental items***
- ***Publicizing opportunities widely***
- ***Applying functional/performance specifications/targets***
- ***Limiting burdensome information requirements***
- ***Using open architectures to enhance interoperability***

prototypes in an operational environment; and (3) solicitation of assets, which permit interoperability with others by featuring open architectures.

I.5.3.4. Planning for Acquisition Management

The risk associated with the asset selected for consideration will determine the type of performance-based management system that should be used to monitor contractor performance in achieving the cost, schedule, and performance goals during the contract period. Performance-based management systems (e.g., earned value management system as described in Appendix Four) should be used on both fixed price and cost type contracts The extent of information on project status, particularly cost information, should be less on fixed price contracts than on cost type contracts, but monitoring even fixed price contracts is necessary because of the effect on other agency plans and costs if the project does not achieve original goals. The method chosen should be included in the acquisition plan presented to senior management during portfolio analysis.

I.5.4. Allow for Adequate Time to Evaluate Alternatives

Selecting the most promising capital asset should not be rushed, especially for mission-critical assets. Selecting an alternative without adequate analysis has resulted too often in large dollar acquisitions that have significantly overrun both cost and schedule, while falling short of expected performance. Agencies should not request funds for the production or installation stage of an acquisition until they establish firm goals that have a high probability of successful achievement.

> Even in the private sector, it is not uncommon for the evaluation of alternatives to take a year or longer before an organization seeks the extensive funding needed to produce and install a capital asset. Iridium, Inc., a telecommunications firm, took over two years to complete its planning and selection of assets before it tried to convince investors that it could build a world-wide satellite telephone system in five years for $4.6 billion.

I.5.5. Plans for Proposed Capital Assets Once in Use

Plans should also be developed for management of the capital asset once in use, including plans for operational analysis, operations and maintenance, and disposal. Both assets that are on-hand and those being considered for acquisition will have to be disposed of at some point. These costs may be very large. For example, a building may require demolition, or the production of waste may require large cleanup costs. The costs associated with the disposal of assets should be included in the benefit-cost analysis (see *Management-In-Use Phase*).

Agencies should identify a measurement system for once the asset is in use that provides the cost and performance data needed to monitor and evaluate investments individually and strategically. For example, if an agency makes an advanced technology investment to achieve certain cost savings and quality improvements, the management system should permit the agency to measure whether these improvements occurred and whether operations and maintenance costs are within projections. The measurement system implemented should provide feedback on adherence to strategic initiatives and plans. The system should also allow for review of unexpected costs or benefits that result from the investment decision. This tracking system is a critical element of capital programming, for it follows

through the operational life-cycle of the asset. One purpose of the measurement system is to help guide future investment decisions (see *Management-In-Use Phase*).

I.5.6. Prioritize Projects within a Portfolio

Capital assets should be compared against one another to create a prioritized portfolio of all major capital assets. Just as an individual invests in a diverse portfolio of securities, agencies invest in a diverse portfolio of capital assets. For the individual investor, returns are measured in dividends or capital gains. While the benefits and costs of capital asset portfolios should be quantified in monetary terms when feasible, agencies also measure return on the basis of outputs and outcomes.

Agencies should choose a portfolio of capital investments that maximizes return to the taxpayer and the Government -- at an acceptable level of risk.

For the individual investor, some investments are more risky than others. Similarly, an agency's capital asset investments have various levels of risk. Sound planning for procurement and operational management can mitigate risk. But *all* assets, especially those requiring extensive development work before they can be put into operation, are inherently risky and should be justified by high return. Agencies should choose a portfolio of capital investments that maximize return to the taxpayer and the Government -- at an acceptable level of risk.

One approach to devising a ranked listing of projects is to use a scoring mechanism that provides a range of values associated with project strengths and weaknesses. Figure 8 on the following page shows examples of how some key risk and return criteria might be scored. These examples are drawn from multiple best practices organizations. Higher scores are given to projects that meet or exceed positive aspects of the decision criteria. Additionally, in this example, weights have been attached to criteria to reflect their relative importance in the decision process. To ensure consistency, each of the decision criteria should have operational definitions based on quantitative or qualitative measures. A scoring and ranking process, such as the one depicted in Figure 8, may be used more than once, and in more than just this step to limit the number of projects that will be considered by an executive decision-making body.

An outcome of such a ranking process might produce three groups of projects:

- ***Likely winners***. One group, typically small, is a set of projects with high returns and low risk that are likely "winners."

- ***Likely drop-outs***. At the opposite end of the spectrum, a group of high-risk, low-return projects that would have little chance of making the final cut.

- ***Projects that warrant a closer look***. In the middle is usually the largest group. These projects have either a high-return/high-risk or a low-return/low-risk profile. Analytical and decision-making energy should be focused on prioritizing these projects where decisions will be more difficult. At the end of this step, senior managers should have a prioritized list of capital investments and proposals with supporting documentation and analysis.

Figure 8. Example of Criteria and Scoring Process to Rank Proposed Capital Assets

	Capital Asset (1 thru n)	Weight
DECISION CRITERIA	**SCORING**	**%**
Overall Risk Factors		Weights for Risks ∑=100%
Investment Size - How large is the proposed investment, especially in comparison to the overall budget?	1_____5_____10 Large Small	40
Project Longevity - Do projects adopt a modular approach that combines controlled systems development with rapid prototyping techniques? Are projects as narrow in scope and brief in duration as possible to reduce risk by identifying problems early and focusing on projected versus realized results?	1_____5_____10 Non-modular Modular	30
Technical Risk - How will proposed assets be integrated into existing ones? Will proposed investment take advantage of Commercially Available and Non-Developmental Items? How will the complexity of the asset's design affect the development of the project?	1_____5_____10 Experimental Established Custom Industry Standard	30
Sum of Overall Risk Factors		
Overall Return Factors		Weights for Returns ∑=100%
Business Impact or Mission Effectiveness - How will the asset contribute toward improvement in organizational performance in specific outcome-oriented terms?	1_____5_____10 Low High	25
Customer Needs - How well does the asset address identified internal and/or external customer needs and demands for increased service quality and timeliness or reductions in costs?	1_____5_____10 Low High	15
Quantitative Analysis - Is the benefit-cost analysis reliable and technically sound?	1_____5_____10 Risky Known estimates benefit	20
Organizational Impact - How broadly will the asset affect the organization (e.g., the number of offices, users, work processes, and other systems)?	1_____5_____10 Low High	25
Expected Improvement - Is the asset to be used to support, maintain, or enhance operational systems and processes (tactical) or designed to improve future capability (strategic)? Are any projects required by law, court ruling, Presidential directive, etc.? Is the project required to maintain critical operations--beneficiary checks, human safety, etc.--at a minimal operating level? What is the expected magnitude of the performance improvement expected from the asset?	1_____5_____10 Tactical: Strategic: Low High	15
Sum of Overall Return Factors		
Total Risk Adjusted Score = Weighted Sum of Overall Risk Factors + Weighted Sum of Overall Return Factors		

STEP I.6. THE AGENCY CAPITAL PLAN

As part of its strategic plan, each agency is encouraged to have an Agency Capital Plan (ACP) that defines the long-term agency capital asset decisions. The ACP is the ultimate product of the Planning Phase and should be the result of an executive review process that reviews the work done in this Phase. The ACP should include an analysis of the portfolio of assets already owned by the agency and in procurement, the performance gap and capability necessary to bridge it, and justification for new acquisitions proposed for funding.

I.6.1. Executive Review Process

Each agency should establish a formal process for senior management to review and approve the capital assets that make up the ACP before the plan is presented to the agency chief executive for approval (see Figure 9).

As described in OMB's *Evaluating Information Technology Investments, A Practical Guide*, the number of times a capital asset is reviewed by senior management should be based on the associated level of risk (see Step I. 5. 3. 1.) involved in the acquisition. The cost of an asset and its importance

Figure 9. Capital Asset Review at the Department of Agriculture

The U.S. Department of Agriculture (USDA) has implemented an Executive Information Technology Investment Review Board (EITIRB) to approve new information technology investments and evaluate existing projects and operations systems for inclusion in an USDA IT investment portfolio. The EITIRB is comprised of the senior management official of each of the Department's program areas, the Chief Financial Officer, the Budget Director, the General Counsel, the Chief Information Officer, and is chaired by USDA's Deputy Secretary. Using pre-approved standards developed by the office of the CIO, the board evaluates proposed IT investments for "significant systems." USDA defines significant systems to include "large" systems (life-cycle acquisition costs over $100 million), high-risk systems (those with significant deviation from Departmental architecture), "critical systems" (as identified by the Secretary), and high-impact systems (intra-agency efforts affecting two or more program areas). The board also has in place criteria for comparing and prioritizing alternative information systems and projects for selection. The EITIRB links USDA's budget process, financial management and overall Capital Planning Process by having performance plan and funding information identified when the board selects a project for review, by reserving the right to review approved systems for continued viability, and by having the authority to take corrective actions.

to achieving the agency mission should also be taken into consideration when defining criteria for executive review. One private sector best practice company requires more documentation and greater analytical rigor if a proposed asset would replace or change an operational system vital to keeping the company running, or if it matched a company-wide strategic goal. Lower-impact proposals that would affect only a particular office or had a non-strategic objective would not be analyzed by senior management in such detail. Senior management should also review acquisitions not achieving 90 percent of established goals, as required by FASA Title V (see *Procurement Phase*).

I.6.2. Purpose of the Agency Capital Plan

The Agency Capital Plan is the principal output of the Planning Phase. It is a dynamic plan that changes to reflect decisions about adding new assets and deleting old or even in-process asset acquisitions that are not meeting goals (i.e., the return on investment does not justify continued funding of the project). It should be the central document, or group of documents, that the agency uses for its capital asset planning. Agencies are encouraged to use a summary of the Agency Capital Plan for budget justifications to OMB, congressional authorizations of projects, and justifications for appropriations to Congress. (See OMB Circular A-11, Part 3 for budget submission guidance.)

Agencies are encouraged to have on hand capital planning documents at various levels of detail, applying each for different purposes. For example, a summary level might be sufficient for the authorization process in Congress or justifications for the appropriations committees. The same or a different summary might be made available to OMB to support agency budget proposals to, or if requested by, OMB. The most detailed level might remain in the agency for use in developing the summary materials for OMB and Congress. In this regard, the Agency Capital Plan can be an excellent means of explaining the background for capital asset purchases, as well as their justification, and can be used as a means of answering inquiries related to an agency's budget submission. Last, the Agency Capital Plan can support an agency's related salaries and expenses associated with the staffing, operation, and maintenance of its capital asset portfolio.

I.6.3. Key Elements of the Agency Capital Plan

Agencies are encouraged to include the elements described below in their Agency Capital Plans. This outline and description should not be viewed as a required format. If agencies already have the major elements of the plan in a different form, or prefer alternative formats for presenting the same information, they can use that material in place of this illustration. Agencies that choose to use a summary of their capital plans to justify funding requests for capital assets are encouraged to work with Congress, OMB, and other stakeholders to determine what should be included and in what format.

The Agency Capital Plan may contain the following elements:

1. Statement of agency mission, strategic goals and objectives, and annual performance plans;
2. Description of the Planning Phase;
3. Baseline assessment and identifying the performance gap;
4. Justification of spending for proposed new capital assets;
5. Staff requirements;
6. Timing issues, if involved in a multi-agency acquisition;
7. Plans for proposed capital assets once in use; and
8. Summary of risk management plan.

Each of these elements is discussed below.

I.6.3.1. Statement of Agency Mission, Strategic Goals and Objectives, and Annual Performance Plans

The Agency Capital Plan should begin with a summary of the agency mission, strategic goals and objectives, and Annual Performance Plan. This is a summary of the analysis done in Step I. 1.

I 6.3.2. Description of the Planning Phase

The Agency Capital Plan should describe its planning process and the Phase's key decision points. It should include: a description of the Executive Review Process discussed in Step I. 6. 1. above; the role of the IPT; and decision points in the process to determine whether assets should be acquired and whether the acquisition should be terminated if cost, schedule, and performance goals are not met.

I.6.3.3. Baseline Assessment and Identifying the Performance Gap

This section of the Agency Capital Plan should be a summary of the work done in Step 2. It should help lay the groundwork for justifying the need for new acquisitions.

- ***Examining the existing portfolio***. An examination of the existing portfolio of assets is encouraged in order to identify capital assets currently in use and in procurement that can help meet program objectives. This analysis will be the basis for assessing where there are gaps and whether funding for new assets should be proposed. The analysis should ensure that the assets are linked to mission needs. The analysis should be across programs and bureaus to identify cross-servicing, and should be over a multi-year horizon to ensure a dynamic analysis that anticipates future changes.

- ***Identifying the performance gap***. This section should identify the performance gap. The gap identifies the agency objectives that cannot be met with existing assets and other resources.

I.6.3.4. Justification of Spending for Proposed New Capital Assets

Agencies are encouraged to include in their Agency Capital Plan a section that justifies proposed spending on new capital assets, using the criteria described in this Step and expanded upon in Appendix Seven, *Principles of Budgeting for Capital Asset Acquisitions*. The main elements of these principles are incorporated in the suggested sections of the justification discussed below. Agencies should feel free to use other justification criteria as well.

As a general presumption, OMB will recommend new or continued funding only for those capital asset investments that satisfy these criteria.[2] Funding for those projects will be recommended on a phased basis by segment, unless it can be demonstrated that there are significant economies of scale

[2] OMB recognizes that many agencies are in the middle of ongoing projects, and may not be able to satisfy the criteria immediately. For those projects that do not satisfy the criteria, OMB will consider requests to use funds to support the redesign of work processes, the evaluation of investment alternatives, the development of information architectures, and the use and evaluation of prototypes.

at acceptable risk from funding more than one segment or that there are multiple units that need to be acquired at the same time. (For more information, see OMB Circular A-11, Part 3, *Planning, Budgeting and Acquisition of Capital Assets).*

I.6.3.4.1. Basis for Selection of the Capital Asset

This section should justify the selection of the proposed asset.

- ***Statement of program objectives and functional requirements***. This statement should be a summary of the analysis done in Steps I.through 1.3 as it relates to the proposed asset. The statement should identify program objectives from the annual performance plan, the performance gap, and the functional requirements for the asset. These requirements should be defined in terms of the mission, purpose, capability, agency components involved, schedule and cost objectives, and operating constraints. The requirements should not be defined in terms of equipment or software.

- ***Explanation of alternative ways of meeting the program objectives***. This should be a summary of the analysis in Step I. 4., *Alternatives to Capital Assets.* It should review alternatives to meeting the program objective by means other than acquisition of the asset and explain why these alternatives were rejected.

- ***Explanation of why the acquisition of the proposed asset is the best alternative***. This section should justify why the proposed asset is the best alternative for meeting the program objectives. It should summarize the analysis that appears largely in Step I. 5., *Choosing the Best Capital Asset.* The explanation should be based on a benefit-cost analysis, including an analysis of life-cycle costs, and an analysis of how best to identify, monitor, manage, and control risk. The explanation should also include the baseline cost, schedule, and performance goals that will be the basis for the budget request and tracking of achievement of goals and demonstrate that the Comptroller or Chief Financial Officer has evaluated the cost goals to meet the FASA Title V requirements.

- ***Budget projections and financial forecasts***. This section should draw from the elements above to give a year-by-year forecast of total projected budget authority and outlays for the asset to ensure that all relevant costs are understood in advance. The request should provide for full funding. (See Step II.1.1.2, Principles of Financing in the budgeting phase). This section should also discuss performance measures relevant to the asset, tied to agency mission and performance goals and objectives, and address cost-effectiveness.

I.6.3.4.2. Strategies for Strengthening Accountability for Achieving Goals

Once the acquisition is funded, the IPT is accountable for achieving the project cost, schedule and performance goals that are the basis used to obtain approval to acquire the asset. This section should discuss the strategies that will be used to manage the project during the Procurement Phase. These strategies should include:

- having budget authority apportioned for a useful segment, if appropriate;

- selecting types of contracts and pricing mechanisms that are efficient and provide incentives to contractors in order to allocate risk appropriately between the contractor and the agency;

- monitoring cost, schedule, and performance goals for the project -- or the useful segment being proposed -- using an earned value management system or similar system. (Earned value is described in Appendix Four);

- establishing thresholds for cost, schedule, and performance goals of the acquisition, including return on investment, which, if not met, may result in termination of the acquisition; and

- management actions, if progress is not within 90 percent of goals, or if new information is available that would indicate a greater return on investment from alternative uses of funds. (Senior management review of the project should be instituted to determine the continued viability of the project with modifications, or the termination of the project, and the start of exploration for alternative solutions if it is necessary to fill a gap in agency strategic goals and objectives.)

1.6.3.5. Staff Requirements

This section should discuss the management staff, both in-house and contracted, needed by the agency to manage the Procurement Phase and the operations and maintenance staff projections, both in-house and contractor, for the Management-In-Use Phase.

1.6.3.6. Timing Issues, if Involved in a Multi-Agency Acquisition

Agencies are encouraged to explore multi-agency acquisitions where feasible. This section should discuss the timing of the support to be provided to the acquisition by the various agencies involved in the acquisition. These include the timing of fund transfers to the lead agency and the timing of use of the asset by the various agencies.

I.6.3.7. Plans for Proposed Capital Assets Once in Use

The Agency Capital Plan should discuss the costs associated with the asset's procurement, management-in-use, and ultimate disposal, and how these costs will be tracked by program managers.

I.6.3.8. Summary of Risk Management Plan

Planning, budgeting, and procurement of capital assets is not always a smooth process. In spite of careful planning, there are normally disruptions to the process, and the analysis of alternative ways of meeting program objectives should respond to disruptions quickly. The risk management plan developed in Step I.5.3. should be summarized in the Agency Capital Plan.

I.6.4. Connecting Strategic, Annual Performance, and Capital Plans

The ACP should describe how each asset will help achieve agency outcome goals and objectives presented in the strategic plan and the program output goals presented in the annual performance plan. All of the ACP need not be submitted to OMB, but the portion of the ACP that discusses yearly goals *should* be incorporated into the capital assets section of the annual performance plan. Agencies may find that having sound ACPs on hand will improve their ability to inform OMB and Congress about their funding requests, if staff members ask for more information than the summaries in the annual performance plan.

When one asset contributes to multiple programs, the linkage to each program should be described. In turn, the annual performance plan should include the performance goals for the procurement of the asset, as well as the program's performance, once the asset is operational. Separate documents are not required. Figure 10 on the following page displays a hypothetical example of the relationship between capital planning, strategic and annual performance planning, and budget requests.

I.6.5. Coordination with OMB Guidance

At each stage in the preparation of the Agency Capital Plan, the agency is encouraged to work with OMB's Resource Management Offices (RMOs). Early inclusion of RMO staff as advisors or members on the Integrated Project Teams will facilitate a continuing review and dialogue regarding the agency's plan, so that there will be no surprises. The process of submission should be consistent with the annual guidance contained in OMB Circular A-11, as well as with other current OMB guidance.

Figure 10. Relationship of Agency Strategic Plan, Annual Performance Plan, and Capital Plan

(This example is hypothetical, and does not represent the program or activity of any Federal agency)

AGENCY STRATEGIC PLAN (ASP)	Year 1 Budget Year (BY)	Year 2 BY +1	Year 3 BY +2	Year 4* BY +3
Mission: ... prevent loss of life ...	ASP Submitted			
Outcome Goal: By year 4, hurricanes will cause 50 percent fewer fatalities than in Year 0 (100).	ASP Submitted			Goal measured**
Outcome Objectives: By year 4, the Neptune satellite will be operational. Predictive accuracy at 24 hours pre-landfall will increase from current 100 mile landfall range to 15 miles; and estimated barometric pressure (hurricane strength) at landfall will be within 3 millibars compared to current 25 millibar standard.	ASP Submitted			Objectives measured**
Description of resources, technologies, assets needed to achieve goals and objectives.	1 Neptune satellite	1 Booster rocket to launch Neptune satellite		1 Neptune II satellite
ANNUAL PERFORMANCE PLAN(APP)				
Outcome Goals and objectives measured.				Goals Referenced in ASP Program performance measured**
Output Goals defined and measured.		Satellite: - Issue RFPs for components - Evaluation - Award contracts	Satellite: - Assembly - Test - Acceptance Booster Rocket: - Issue RFP - Evaluation - Award contract	Satellite - Launch - Made fully operational Booster rocket: - Test - Acceptance - Launch satellite
Description of resources, technology, assets needed to achieve goals			1 Neptune satellite	1 Booster rocket
AGENCY CAPITAL PLAN				
Outcome Goal				Goal Referenced in ASP & APP
Output Goals				Goals Referenced in ASP & APP
Asset Procurement Goals	Neptune Satellite: - Capital Plan submitted - Funds included in budget - Congress appropriates	Satellite: - Issue RFPs for components - Evaluation - Award contracts Booster Rocket: - Capital plan submitted - Funds included in budget - Congress appropriates	Satellite: - Assembly - Test - Acceptance Booster Rocket: - Issue RFP - Evaluation - Award contract	Neptune II Satellite: - (Steps before including budget request for Neptune II satellite in Capital Plan.) Booster rocket: - Test - Acceptance - Launch satellite

* A revised/updated Strategic Plan would be required by year 4. Replacement satellite required, as Neptune I class satellite has 3 year operational life.

** Achievement of outcome goals and objectives in Strategic Plan is determined by including those goals and objectives in an Annual Performance Plan for the appropriate year, and using the Program Performance Report

(or Accountability Report) to record and report on actual performance compared to the goals.