The Performance-Based Management Handbook

A Six-Volume Compilation of Techniques and Tools for Implementing the Government Performance and Results Act of 1993 (GPRA)

Volume Three

Establishing Accountability for Performance

Performance-Based Management Special Interest Group (PBM SIG)

http://www.orau.gov/pbm

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The **Performance-Based Management Special Interest Group (PBM SIG)** is a U.S. Department of Energy (DOE) and DOE contractor funded organization made up of DOE and DOE contractor personnel who have a special interest in performance-based management. The mission of the PBM SIG is to facilitate, promote, and advance the use of performance-based management in DOE. The activities and publications of the PBM SIG are coordinated and administered by the Oak Ridge Institute for Science and Education.

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A Six-Volume Compilation of Techniques and Tools for Implementing the Government Performance and Results Act of 1993

Volume 3

Establishing Accountability for Performance

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Accountability for performance with a focus on results is a concept which governments are only beginning to come to grips with. There is a growing public perception that government programs do not deliver enough value for the tax dollars being spent. Whether or not this perception is true, there is also a growing feeling that many of government's operations are accountable only to themselves. As fiscal pressures grow, and government is forced to decide which programs to keep and which to reduce or eliminate, such decisions become more difficult when the results of those programs are unclear.

The time has come for government to focus on reporting on its organizational and program results. This does not mean that government will always achieve everything it plans. But being clear about intentions, measuring and understanding results, and making adjustments where necessary, would help assure taxpayers that their money is being spent wisely. A focus on results would also help to ensure that limited public resources . . . are being applied in a way that provides the most value for taxpayers.

The Auditor General of British Columbia
Deputy Ministers' Council
Enhancing Accountability for Performance:
A Framework and an Implementation Plan
April 1996

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Preface

?. . . chart a course for every endeavor that we take the people's money for, see how well we are progressing, tell the public how we are doing, stop the things that don't work, and never stop improving the things that we think are worth investing in. "

President William J. Clinton, on signing the
Government Performance and Results Act of 1993

Introduction

All high-performance organizations, whether public or private, are, and must be, interested in developing and deploying effective performance measurement and performance management systems, since it is only through such systems that they can remain high-performance organizations. When President Clinton signed the Government Performance and Results Act of 1993 (GPRA) into law, this commitment to quality was institutionalized. Federal agencies were required to develop strategic plans for how they would deliver high-quality products and services to the American people. Under GPRA, strategic plans are the starting point for each federal agency to (1) establish top-level agency goals and objectives, as well as annual program goals; (2) define how it intends to achieve those goals; and (3) demonstrate how it will measure agency and program performance in achieving those goals.

The publication of *The Performance-Based Management Handbook, A Six-Volume Compilation of Techniques and Tools for Implementing the Government Performance and Results Act of 1993* follows a logical progression of resources developed to assist in the effective and efficient implementation of GPRA. In chronological order, these resources are:

- The National Performance Review (NPR)
- *How to Measure Performance—A Handbook of Techniques and Tools*
- *Guidelines for Strategic Planning*
- *Guidelines for Performance Measurement*
- *Executive Guide: Effectively Implementing the Government Performance and Results Act*
- *NPR Benchmarking Study Report Best Practices in Customer-Driven Strategic Planning*
- *NPR Benchmarking Study Report Best Practices in Performance Measurement*
- *The Performance-Based Management Handbook, A Six-Volume Compilation of Techniques and Tools for Implementing the Government Performance and Results Act of 1993*

The National Performance Review

In the same year that GPRA was signed into law, President Clinton and Vice President Gore initiated the National Performance Review (NPR) to reinvent government. One of NPR's reinvention initiatives was to foster collaborative, systematic benchmarking of best-in-class organizations, both public and private, to identify best practices in a wide range of subjects vital to the success of federal agencies in providing high-quality products and services to the American people.

How to Measure Performance—A Handbook of Techniques and Tools

Developed in October 1995, *How to Measure Performance—A Handbook of Techniques and Tools* was the Performance-Based Management Special Interest Group's (PBM SIG's) first handbook. It was produced at a time when DOE personnel were struggling with the concepts and conventions of performance measurement and has been touted as a very useful guidance document. The handbook describes three different approaches to developing performance measures; provides sections on performance indexing, data analysis, and reporting techniques; and includes a thorough glossary of terms, an inclusive list of references, and a substantial list of sample performance measures.

Guidelines for Strategic Planning

This Department of Energy (DOE) guidance document (DOE/PO-0041) was published in January 1996 by the Office of Policy and International Affairs to help strategic planning teams plan for, organize, and prepare the departmental strategic plan required under GPRA. It provides guidance both to those organizations and personnel starting the strategic planning process for the first time and to those reviewing or updating existing plans. The steps outlined within this document represent a very simplified approach to strategic planning.

Guidelines for Performance Measurement

The DOE Performance Measurement Coordination Team released this guidance document (DOE G 120.1-5) in June 1996. It is often referred to as a companion document to the PBM SIG's first handbook. While both documents cover performance measurement, this document also covers the relationship of performance measurement to organizational operations, presenting topics such as performance linking, tying into departmental systems, and coordinating performance measures.

Executive Guide: Effectively Implementing the Government Performance and Results Act

The U.S. General Accounting Office (GAO) published this document (GAO/GGD-96-118) in June 1996. It resulted from a study done at the request of Congress in which a number of leading public sector organizations that were successfully pursuing management reform initiatives and becoming more results-oriented were studied. Each of these organizations set its agenda for management reform according to its own environment, needs, and capabilities. Yet, despite their differing approaches to reform, all these organizations commonly took three key steps to becoming more results oriented: (1) define clear missions and desired outcomes, (2) measure performance to gauge progress, and (3) use performance information as a basis for decision making. These three key steps are discussed in this GAO executive guide, along with their relationship to GPRA. Also discussed is the role of top leadership and the practices it can follow if it hopes to make GPRA a driving force in an organization. Accompanying the discussion of each practice is a case illustration involving a federal agency that has made progress in incorporating the practice into its operations.

NPR Benchmarking Study Report: Customer-Driven Strategic Planning

In February 1997, NPR published its *Benchmarking Study Report Best Practices in Customer-Driven Strategic Planning*, which documents and details the in-depth processes and approaches of those best-in-class organizations that excel at incorporating their customers' needs and expectations into their strategic planning processes. This study provided public and private leaders and managers with world-class practices and formulas for success in developing and deploying strategic plans and goals for an agency.

NPR Benchmarking Study Report: Best Practices in Performance Measurement

To complement its strategic planning study, NPR commissioned the first-ever intergovernmental benchmarking consortium involving not only U.S. federal agencies, but also local governments and the government of Canada in a collaborative study of performance measurement. As documented in its June 1997 report, the NPR Performance Measurement Study Team found that the best performance measurement and management systems and practices work within a context of strategic planning that takes its cue from customer needs and customer service. They also found that:

- Leadership is critical in designing and deploying effective performance measurement and management systems.
- A conceptual framework is needed for the performance measurement and management system.
- Effective internal and external communications are the keys to successful performance measurement.
- Accountability for results must be clearly assigned and well-understood.
- Performance measurement systems must provide intelligent information for decision makers, not just compile data.
- Compensation, rewards, and recognition should be linked to performance measurements.
- Performance measurement systems should be positive, not punitive.
- Results and progress toward program commitments should be openly shared with employees, customers, and stakeholders.

The Performance Measurement Process Model

To provide them with a useful frame of reference as they studied performance measurement in best-in-class organizations, the NPR Performance Measurement Study Team built a model of the performance measurement process used in the federal context. This Performance Measurement Process Model was published in its June 1997 report. This model is shown in Figure PBM.1 on the following page.

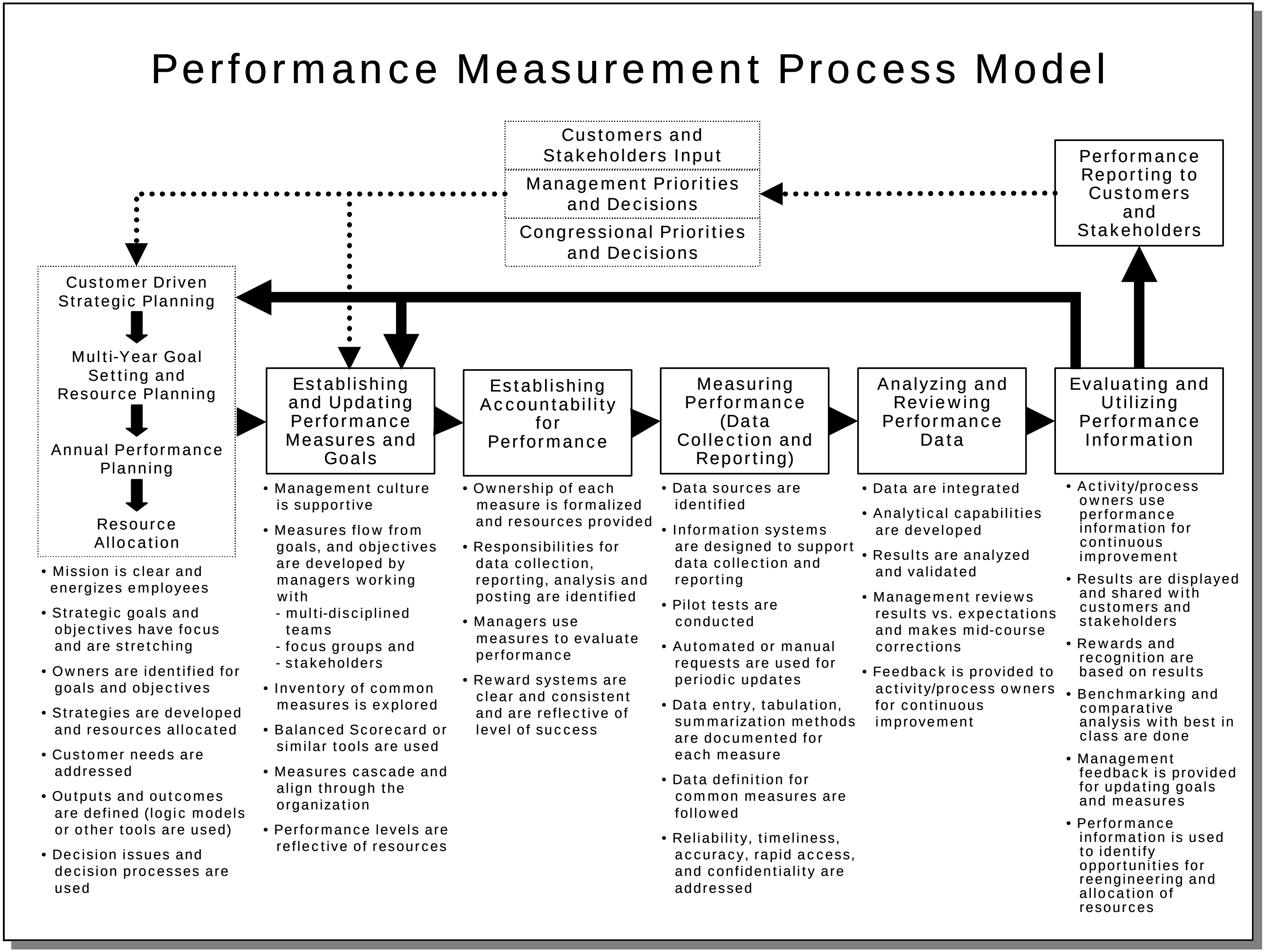

Figure PBM.1

NPR Performance Measurement Process Model

The Performance-Based Management Handbook

The PBM SIG adapted the NPR Performance Measurement Process Model into a performance-based management process model and used this model to structure *The Performance-Based Management Handbook*. The PBM SIG Performance-Based Management Process/Handbook Model is shown in Figure PBM.2 below. Topics covered by each volume are listed after the figure.

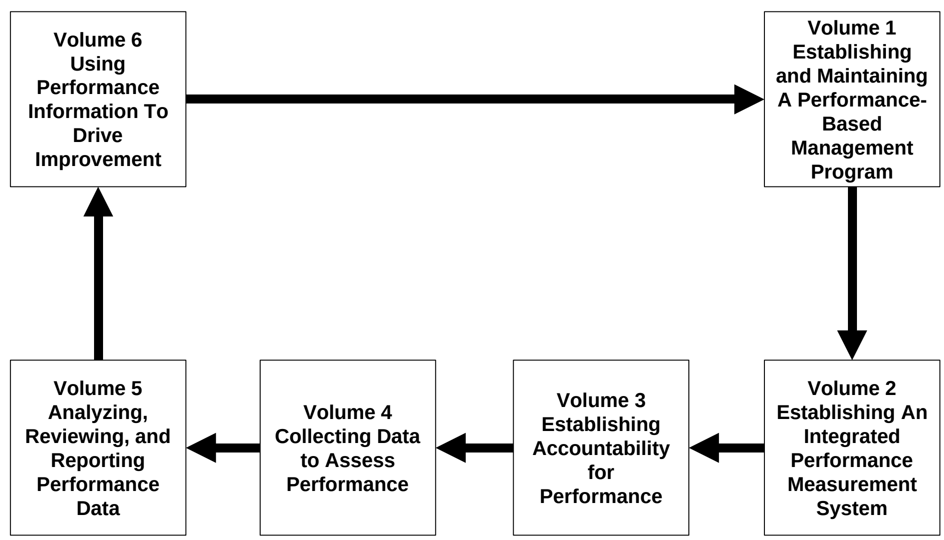

Figure PBM.2

Performance-Based Management Process/Handbook Model

Volume 1: Establishing and Maintaining a Performance-Based Management Program

- An Introduction to Performance-Based Management
- Step 1: Define Organizational Mission and Strategic Performance Objectives
- Step 2: Establish an Integrated Performance Measurement System
- Step 3: Establish Accountability for Performance
- Step 4: Establish a System/Process for Collecting Data to Assess Performance
- Step 5: Establish a System/Process for Analyzing, Reviewing, and Reporting Performance Data
- Step 6: Establish a System/Process for Using Performance Information to Drive Improvement
- Maintaining a Performance-Based Management Program

Volume 2: Establishing an Integrated Performance Measurement System

- Understanding Performance Measurement
- Establishing an Integrated Performance Measurement System
- Choosing a Performance Measurement Framework

- Developing Performance Measures—Getting Organized
- Developing Performance Measures—Sample Approaches
- Maintaining an Integrated Performance Measurement System

Volume 3: Establishing Accountability for Performance

- The Concept of Accountability
- Establishing Accountability for Performance
- Accountability Tools

Volume 4: Collecting Data to Assess Performance

- Determining Data Needs
- Components of a Data Collection Plan
- Data Collection Considerations
- Data Collection Methods
- Suggestions for Measuring R&D Activities

Volume 5: Analyzing, Reviewing, and Reporting Performance Data

- Introduction to Data Analysis
- Training Your Organization in Analysis Skills
- Generating Useful Information - Step 1: Question Review
- Generating Useful Information - Step 2: Data Collection and Organization
- Generating Useful Information - Step 3: Data Analysis
- Generating Useful Information - Step 4: Data Presentation

Volume 6: Using Performance Information to Drive Improvement

- Using Performance Information to Drive Improvement
- Benchmarking
- Reengineering
- Continuous Improvement
- Process Improvement

About This Volume

This volume was edited by: Will Artley, Oak Ridge Institute of Science and Education, and Randy LaBarge, Pacific Northwest National Laboratory. Editorial assistance was provided by Phyllis Baker, University of California; Cynthia Eubanks, Bechtel Jacobs Company; Buck Koonce, University of California; and Suzanne Stroh, University of California.

Accountability is a ?fuzzy" word and even ?fuzzier" concept. In all of the available documentation, there are many diverging opinions and views on the subject. Some see accountability as only pertaining to individuals while others see it as pertaining to individuals and groups (organizations). Some look at it only as it pertains to the public sector while others look at it only as it pertains to the private sector. And some look at it through the eyes of the stakeholder. This document has integrated the views and opinions of these sources in an attempt to produce a volume applicable to both the individual and group as well as the public and private sectors. While the subject does not lend itself to being pragmatic, all attempts have been made to produce a useful, understandable document on the subject.

Volume 3 Overview

Accountability is an often used word, yet the concept of accountability is not easily understood. When people hear the word *accountability*, they know that it means something important, but that's about as far as it goes. Subsequently, because they don't grasp the concept of accountability, they don't know how to (and can't) achieve it.

Often, the word *responsibility* is used in conjunction with the word *accountability*. When hearing the word *accountability*, many people immediately equate it with *responsibility* and see the two as being the same. However, (in our opinion) they are not. For example, one quoted author points out the difference, noting that, **?**Responsibility is the obligation to perform. Accountability is the liability one assumes for ensuring that an obligation to perform—a responsibility—is fulfilled" (Frost 1998).

Another key word used when discussing accountability is *authority*. Distinguishing the difference between it and *responsibility* is important to understanding the concept of accountability. Authority is the right to act without prior approval from higher management and without challenge from managing peers (Frost 1998). Authority is assigned. On the other hand, responsibility is delegated.

In all of the available literature on the subject of accountability, no common definition or view of accountability can be found. This lack of commonality is due partly to the fact that the concept of accountability—especially in the governmental setting—is just coming to the forefront. For the sake of discussion in this document, the PBM SIG developed the following definition of accountability:

> **Accountability** refers to the obligation a person, group, or organization assumes for the execution of authority and/or the fulfillment of responsibility. This obligation includes:
>
> - Answering—providing an explanation or justification—for the execution of that authority and/or fulfillment of that responsibility,
> - Reporting on the results of that execution and/or fulfillment, and
> - Assuming liability for those results.

Five key aspects of accountability identified and discussed in this document are:

1. <u>Accountability is a relationship</u>. - Accountability is a two-way street, or, as described by the Auditor General of British Columbia (1996), **?**a contract between two parties."
2. <u>Accountability is results-oriented</u>. - In today's public and private sector organizational structure, accountability doesn't look at inputs and outputs, it looks at outcomes.
3. <u>Accountability requires reporting</u>. - Reporting is the **?**backbone" of accountability. Without it, accountability will not stand up.
4. <u>Accountability is meaningless without consequences</u>. - A key word used in defining and discussing accountability is *obligation*. Obligation indicates liability, and liability comes with consequences.
5. <u>Accountability improves performance</u>. - The goal of accountability is to improve performance, not to place blame and deliver punishment.

In addition to the five key aspects of accountability, five levels of accountability are identified and discussed in this document. These five levels are:

1. Personal Accountability - An accountability relationship with oneself.
2. Individual Accountability - An accountability relationship within a work setting.
3. Team Accountability - A *shared* accountability relationship within a work group or team.

4. Organizational Accountability - *Internal* and *external* accountability relationships within an organization.
5. Stakeholder Accountability - A *detached* accountability relationship between stakeholders and the organization.

When establishing accountability for performance, accountability has to be established first through an ?accountability environment,” then through an accountability framework. The environment integrates accountability into the individual, team, and organizational performance systems. The framework ensures the execution and fulfillment of the accountability obligations.

As used in this document, an accountability environment refers to the condition in which accountability can flourish. Specifically, an accountability environment is the condition in which individuals, teams, and organizations feel:

- Motivated to execute their authority and/or fulfill their responsibility;
- Stimulated to perform their work and achieve the desired results;
- Inspired to share (report) their results; and
- Willing to accept the liability for those results.

Key requirements for the successful establishment of an accountability environment are:

- Leadership
- Reciprocation
- Equity
- Trust
- Transparency
- Clarity
- Balance
- Ownership
- Consequences
- Consistency
- Follow-Up

Identified barriers—things that are counter-productive to establishing a healthy and effective accountability relationship—to the accountability environment include:

1. Hidden Agendas
2. Favoritism
3. Lack of Leadership
4. Lack of Resources
5. Lack of Follow-Through
6. Lack of Clarity
7. Data Misuse

When an individual or organization is assigned authority and/or delegated responsibility, they must provide a plan, execute the plan, and measure and report real results relative to that plan. The recipient of the report provides feedback, a new plan is developed, and the cycle begins again. This cycle provides the basic framework for accountability. Example frameworks provided in this document are the Auditor General of Alberta framework, the GPRA framework, and the DOE framework.

Accountability for performance could not be established without the use of accountability tools. This fact was the main thrust of the establishment of the Government Performance and Results Act of 1993 (GPRA)—getting federal agencies to report their performance results through the use of several interlinked accountability tools. The tools covered in this document are:

- Strategic Plans
- Performance Agreements
- Performance Plans
- Accountability Reports
- Performance-Based Contracts
- Self-Assessments
- Performance Reviews
- Management Controls
- Equity Statements
- Accountability Meetings

Several appendices are included in this document. Titles of appendices and the subject areas covered include:

- *Records Support Accountability* - Proper recordkeeping to meet accountability requirements.
- *Guidelines For Accountability* - Guidelines for assessing the effectiveness of an accountability framework.
- *The Twelve Principles Of Accountability* - Principles of accountability that guide conduct and suggest fair standards for answering for performance.
- *OMB Circular A-123, Management Control And Accountability* - Guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on management controls.
- *An Example Of An Equity Statement* - A balance sheet of intended fairness outcomes.

Section I: The Concept of Accountability

Accountability is a multidimensional concept and often a key enabler of success . . . To truly work, accountability has to be shared by managers and employees; further, your organization as a whole must be accountable to the customer and stakeholder.

National Partnership for Reinventing Government
Balancing Measures: Best Practices in Performance Management (1999)

Accountability is an often used word, yet the concept of accountability is not easily understood. When people hear the word *accountability*, they know that it means something important, but that's about as far as it goes. Subsequently, because they don't grasp the concept of accountability, they don't know how to (and can't) achieve it. This section provides several views on accountability, gives a working definition of accountability, presents its key aspects, and identifies the levels of accountability. By the time you finish reading this section, you should have a better understanding of the concept of accountability.

What Is Accountability?

In all of the available literature on the subject of accountability, no common definition or view of accountability can be found. This lack of commonality is due partly to the fact that the concept of accountability—especially in the governmental setting—is just coming to the forefront. Below are five views of accountability.

- Accountability is an obligation to answer for the execution of one's assigned responsibilities. In simpler terms, accountability is reporting. People account, or report, to other people. Therefore, it is useful to consider accountability in context of the relationships between the people or organizations involved (Auditor General of Alberta 1997).
- Accountability means being able to provide an explanation or justification, and accept responsibility, for events or transactions and for one's own actions in relation to these events or transactions (Government of New South Wales, Australia 2000).
- Accountability may be defined as a clearly identified employee obligation for the (authorized) conduct of a specified program task where performance is evaluated through the application of established criteria (Transport Canada 1997).
- Accountability is the obligation to answer for the discharge of responsibilities that affect others in important ways (Citizens' Circle for Accountability 1996).
- Accountability is a relationship based on the obligation to demonstrate and take responsibility for performance in light of agreed expectations (Office of the Auditor General of Canada 1998).

Responsibility and Accountability: The Difference Between the Two

Often, the word *responsibility* is used in conjunction with the word *accountability*. When hearing the word *accountability*, many people immediately equate it with *responsibility* and see the two as being the same. However, (in our opinion) they are not. Here are some views on the differences between the two:

- **Responsibility** is the obligation to perform. **Accountability** is the liability one assumes for ensuring that an obligation to perform—a responsibility—is fulfilled (Frost 1998).
- **Responsibility** is the obligation to *act*. **Accountability** is the obligation to *answer* for responsibilities. Confusing accountability with responsibility obscures the obligation to *report* (Citizens' Circle for Accountability 1996).

- Whereas **responsibility** is the obligation to act in the public interest, **accountability** is the obligation to answer for intended action and, later on, for the results. It is the obligation to report (Citizens' Circle for Accountability 1996).

Authority and Responsibility: The Difference Between the Two

Another key word used when discussing accountability is *authority*. Distinguishing the difference between it and *responsibility* is important to understanding the concept of accountability. **Authority** is the right to act without prior approval from higher management and without challenge from managing peers (Frost 1998). Authority is assigned. On the other hand, **responsibility**—the obligation to perform—is delegated. People in authority have responsibilities and may delegate them. However, delegating responsibility does not relieve the delegator from the assumed liability of that responsibility. And, being delegated responsibility does not necessarily mean that one has been assigned authority. As will be seen in the next section, making a clear distinction between the two is important to establishing an effective accountability system.

A Working Definition of Accountability

For the sake of the discussion below and in ensuing sections, it is necessary to provide a working definition of accountability for this volume of *The Performance-Based Management Handbook*. Please note that the PBM SIG does not claim to be the ultimate authority on accountability nor do we not intend to imply that this definition is the ?right one." We only desire to draw from the available resources to provide a simplified, understandable definition of accountability. Thus, taking into account the five views of accountability provided along with other discussion on the subject (see Appendix D: References/Suggested Reading), a working definition of accountability would be as shown to the right.

A Working Definition of Accountability

Accountability refers to the obligation a person, group, or organization assumes for the execution of authority and/or the fulfillment of responsibility. This obligation includes:

- Answering—providing an explanation or justification—for the execution of that authority and/or fulfillment of that responsibility,
- Reporting on the results of that execution and/or fulfillment, and
- Assuming liability for those results.

The point here is to provide a common, understandable definition for all to use. If you or your organization disagree with this definition, develop one of your own, but make sure everyone within the organization understands it and its implications. The reason for the need for a common understanding was well put by Transport Canada in their document, *Program Accountability in Civil Aviation - Discussion Paper* (1997):

> ?Organizational effectiveness can be undermined by a lack of understanding and an inability to pinpoint where specific accountabilities reside. Accountability is a term (concept) which is poorly defined, often misused and sometimes avoided. For an organization to be successful it is important to ensure that its managers and employees are working with the same definition and that they can, with ease, determine where individual accountabilities reside. This is of particular importance to organizations involved in the management of a safety-related program where the consequences of ineffective program delivery may be serious."

Key Aspects of Accountability

Careful review of the documents listed in Appendix C: References/Suggested Reading reveals five key aspects of accountability. These key aspects are listed below with discussion following.

1. Accountability is a relationship.
2. Accountability is results-oriented.
3. Accountability requires reporting.
4. Accountability is meaningless without consequences.
5. Accountability improves performance.

Accountability Is a Relationship

Accountability is a two-way street, or, as described by the Auditor General of British Columbia (1996), ?a contract between two parties." The relationship/contract is between a person/group/organization with assigned authority and a person/group/organization who has been delegated responsibilities by that authority. The authority is responsible for providing adequate direction, guidance, and resources as well as removing barriers to performance. The delegatee is responsible for fulfilling its responsibilities. In this relationship, both are accountable to each other. This concept of *reciprocal accountability* is discussed further in the next section.

Accountability Is Results-Oriented

In today's public and private sector organizational structure, accountability doesn't look at inputs and outputs, it looks at outcomes. In other words, it looks at performance results. As explained by the Office of the Auditor General of Canada and the Treasury Board Secretariat (1998):

> ?Accountability for results asks if you have done everything possible with your authorities and resources towards affecting the achievement of intended results and if you have learned from past experience what works and doesn't work. Accounting for results of this kind means demonstrating that you have made a difference, that through your actions and efforts you have contributed to the results achieved. It means you are accountable for what you can influence as well as what you can directly control. And the greater management flexibility which has often accompanied a greater focus on results provides the needed means to better manage your ability to influence outcomes. Demonstrating the results you have achieved, including what you have influenced, provides the evidence of effective stewardship of the greater flexibilities made available."

Accountability Requires Reporting

Reporting is the ?backbone" of accountability. Without it, accountability will not stand up. Reporting, as used in this context, means two things. First, it means *providing an account* of actions and results, i.e., here is what we did and here is what happened. Second, it means providing tangible evidence of results, e.g., a physical report of results. In either case, reporting reduces the need for speculation and guesswork about actions and results. In the ?long run," it promotes trust and confidence between the partners in the accountability relationship. To be useful, the reporting must be timely, accurate, and complete. That way, both the person(s) being accounted to and the performer can get a clear picture of performance results and take whatever actions are deemed necessary.

(Note: Several requirements of reporting are data collection, analysis, and reporting. These requirements are covered in two volumes of this handbook: Volume 4, *Collecting Data To Assess Performance*, and Volume 5, *Analyzing, Reviewing, And Reporting Performance Data*. An additional requirement of reporting is proper recordkeeping. This requirement is covered in ?Appendix D: Records Support Accountability" of this volume of the handbook.)

Accountability Is Meaningless Without Consequences

A key word used in defining and discussing accountability is *obligation*. Accountability is an *obligation* to answer for the discharge of responsibilities. It is an *obligation* to demonstrate and take responsibility for performance. It is an *obligation* to answer for the execution of one's assigned responsibilities. Obligation indicates liability, and liability comes with consequences. The consequences could be positive (rewards) or negative (sanctions). Whatever the case, accountability is meaningless without consequences. However, as will be discussed later, these consequences must be negotiated within the accountability relationship prior to the commencement of work activities.

Accountability Improves Performance

The goal of accountability is to improve performance, not to place blame and deliver punishment. In spite of this fact, some may look at the terms *liability* and *consequences* in a negative way and see accountability as something to be avoided instead of as a useful management concept. This negative view usually can be traced to the ?old approach" to accountability used in the mid-1900's. In their book, *The Oz Principle, Getting Results Through Individual and Organizational Accountability* (Conners, et al, 1994), the authors describe this ?old approach" to accountability as *reactive accountability* and, in turn, offer a better solution to it in *proactive accountability*.

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Reactive Accountability

The ?old approach" to accountability was based on the ?command and control" approach to management. In this scenario, accountability is not a relationship, but, instead, a one-way street with management telling subordinates what to do—usually with little or no planning, direction, guidance, support, or resources—and then ?beating them over the head" when results were less than expected. Through this old approach to accountability, people learned to *react* to the situation such that, when results were less than expected, they spent more time trying to come up with excuses, blame something or someone else, and/or cover their backside. As a result, accountability came to mean *punishment*, which led people to focus more on explaining their results rather than on achieving them. In effect, it became counter-productive.

‘

Proactive Accountability

In the ?new approach" to accountability—referred to as *proactive accountability*, the focus is on improving performance. In this approach, accountability is a relationship and process through which performance expectations are planned, defined, and negotiated at the outset; resources are allocated; performance is evaluated; and adjustments/corrections are made as necessary. In this process, the person/group/organization being held to account is actively involved in each of these phases. Additionally, the foundation is set such that those being held to account, stay focused on improving performance, not explaining a lack of it.

The Five Levels of Accountability

Just as there is no commonly accepted and used definition of accountability, there are diverging theories on the levels of accountability. Some say accountability applies only to individuals, some say it applies only to groups, and some say it applies to both. The PBM SIG identifies five levels of accountability (shown in Figure 3.1 on the following page): personal accountability, individual accountability, team accountability, organizational accountability, and stakeholder accountability.

In this PBM SIG model of the levels of accountability, personal accountability is the foundation of all accountability. It promotes individual accountability which, in turn, promotes team accountability which, in turn, promotes organizational accountability. In other words, starting with personal accountability, each level of accountability sustains the next, and no level of accountability can be established until the one below it has been established. With regard to stakeholder accountability, which is shown ?detached" from the other levels, the stakeholder is not responsible for ensuring that the levels of accountability below it are established and sustained. Rather the stakeholder is responsible for helping to determine organizational performance expectations and for holding the organization to account for its results. (In an indirect manner, stakeholders are responsible for ensuring that the ?organizational levels" of accountability are established and sustained because, if they have not been established by the organization, then lack of organizational performance will show, and the stakeholder must hold the organization to account for this condition.) Personal accountability is also the foundation of stakeholder accountability.

Figure 3.1

The Five Levels Of Accountability

Personal Accountability

Personal accountability is an accountability relationship with oneself. In this relationship, the person looks to himself/herself for personal results and asks, ?What can I do to improve the situation and make a difference?" In personal accountability, the individual looks within for answers instead of pointing fingers and placing blame on external factors. Some of the key aspects of personal accountability are honesty, integrity, ethicalness, morality, and reliability.

While discussion of personal accountability is beyond the scope of this volume of *The Performance-Based Management Handbook*, suffice it to say that personal accountability is the foundation for all other levels of accountability. A group or organization made up of employees with little or no personal accountability will be inept, incompetent, and mistake-ridden, and cannot and will not survive.

Individual Accountability

As used here, individual accountability refers to an accountability relationship within a work setting. It applies to both parties in the relationship—an authority (management) and a delegatee (the worker). The authority is responsible for providing adequate direction, guidance, and resources as well as removing barriers to performance. The delegatee is responsible for fulfilling its responsibilities. In this relationship, both are accountable to each other, and the focus is on the individual answering and reporting about his/her accomplishments (or lack of accomplishment). The individual says, ?This is what I intend to do, this is what I did, and this is what I'm going to do to make it better."

Team Accountability

Most organizational performance is accomplished by groups or teams (who are made up of individuals). In the case of self-directed work teams, there is no ?I," there is only ?We." This fact brings about the idea of *shared accountability* wherein the group or team shares ownership for circumstances and performance results. It is the group or team as a whole that provides the answering and reporting, not the individual. For example, a baseball or football *team* wins or loses a game, not the individuals on the team.

Organizational Accountability

Organizational accountability answers to/reports on what an organization actually accomplished in relation to what it planned to accomplish. There are two types of organizational accountability:

- *Internal Organizational Accountability* - Internal organizational accountability refers to the establishment of the upward and downward flow of accountabilities between management and individuals and teams within the organization.
- *External Organizational Accountability* - In external organizational accountability, the organization answers to/reports to its stakeholders on both its organizational performance and organizational behavior.

Stakeholder Accountability

Stakeholders reside at the top of the accountability pyramid shown in Figure 3.1. However, in this model, they are ?detached" from the levels below it, the reason being that stakeholders (customers, shareholders, taxpayers, the general public, etc.) are not heavily involved in the day-to-day operations of the organization or the establishment of the internal organizational accountabilities. Rather, stakeholders provide input into the desired organizational outcomes, then leave it to the organization to achieve them, and then hold the organization to account for its results.

Section II: Establishing Accountability for Performance

Accountability doesn't ?just happen." A person or group doesn't all of a sudden say, ?I'm accountable!" or ?We're accountable!" It just doesn't happen that way. Accountability has to be established first through an ?accountability environment," then through an accountability framework. The environment integrates accountability into the individual, team, and organizational performance systems. The framework ensures the execution and fulfillment of the accountability obligations. This section covers the establishment of both.

What Is an Accountability Environment?

As used here, an accountability environment refers to the condition in which accountability can flourish. Specifically, an accountability environment is the condition in which individuals, teams, and organizations feel:

- Motivated to execute their authority and/or fulfill their responsibility;
- Stimulated to perform their work and achieve the desired results;
- Inspired to share (report) their results; and
- Willing to accept the liability for those results.

The optimal accountability environment is one of proactive accountability wherein the individual, team, and organization is focused on achieving great results rather than figuring out ways to explain away poor results.

For the most part, the accountability environment is established from the top down, i.e., organizational leadership institutes and promotes the environment and cascades it throughout the various levels of management down to the individual worker. Thus, ?troubles" with the accountability environment at the individual worker level usually can be traced to a ?polluted" environment within the management level. However, there are times when the individual worker shuns accountability regardless of management support and commitment (i.e., he/she has no personal accountability).

Requirements for an Accountability Environment

Just as there are many components necessary for the establishment of an integrated performance measurement system (see Volume 2), there are many requirements for the successful establishment of an accountability environment. These requirements are:

- Leadership
- Reciprocation
- Equity
- Trust
- Transparency
- Clarity
- Balance
- Ownership
- Consequences
- Consistency
- Follow-Up

In conjunction with these requirements are the ?Twelve Principles of Accountability" that are outlined in Appendix E. These principles ?guide conduct and suggest fair standards for answering for performance." They are also essential to establishing an accountability environment.

Leadership

As was noted above, the accountability environment is established from the top down. Thus, leadership becomes the most important ?ingredient" in the environment. (Leadership as used here refers to any individual or group in a position of authority to direct and control the work of others.) Specific things leadership can do to establish and promote the accountability environment are:

- Lead by example. ?Walk the walk and talk the talk!" Individuals and groups will emulate their leadership. The degree to which they are accountable is the degree to which their leadership is accountable. Therefore, leadership must champion the accountability cause and lead the way.
- Be committed. Commitment to the accountability cause is a leadership ?must." If there is no demonstrated commitment at the top, subordinates will look at accountability as not being that important to the organization, and their level of accountability will display it. However, if a strong sense of commitment is felt, subordinates will develop their own sense of commitment.
- Clear the path. One of the greatest roles leadership can play for individuals and groups is to remove impediments to performance. These impediments might be political interference, resource restrictions, and/or unattainable performance expectations. Removing such impediments will increase accountability and lead to successful results.
- Be the answerer. When the time comes to answer for results, leadership needs to be the answerer. Delegating the answering to a third party gives the appearance of avoidance and the shifting of blame. Standing directly in the ?line of fire" is an admirable leadership trait and will promote leadership credibility within the organization.
- Use good judgement. - Subordinates need for their leadership to use good judgement, e.g., ensuring that, for each job, qualifications match requirements or seeing to it that the organization doesn't delve into areas out of its reach or make business decisions not based on fact and merit. Bad judgement weakens the entire organizational credibility and employee faith in leadership's ability.

Reciprocation

Reciprocal accountability ensures the ?two-wayness" of the accountability relationship. It guarantees fairness and promotes both transparency and clarity. Under the concept of reciprocal accountability, a person/group/organization with assigned authority and a person/group/organization who has been delegated responsibilities by that authority undertake a *quid pro quo* relationship. The authority is responsible for providing adequate direction, guidance, and resources as well as removing barriers to performance. In exchange, the delegatee is responsible for fulfilling its responsibilities. In this relationship, both are accountable to each other.

A key aspect of reciprocal accountability is that it brings senior management into the accountability equation. As described by the Citizens Circle for Accountability (1996), within the context of reciprocal accountability, ?people in senior authority in organizations answer to members of the organization for what they intend to bring about, for whom, and for what they think they contribute." In other words, they become a *participant*, not a *bystander*.

Equity

Equity, or fairness, is the cornerstone of accountability. The assumption of a fair deal should be maintained and promoted by organizational leadership. Inequity should be avoided because it will destroy trust and organizational credibility. As a result, performance will be less than optimal.

Trust

Fairness brings about trust; trust indicates fairness. There can be no established accountability relationship without trust. If either or both parties don't trust the other, there probably exists a lack of transparency, and the relationship is doomed for failure. In other words, accountability cannot survive in an environment of mistrust.

Transparency

Transparency, the condition of complete openness, is one of the sustaining elements of accountability, and, thus, is key to the establishment of an accountability environment. Transparency means that the actions of individuals, groups, or organizations in the accountability relationship are conducted without deceit or hidden motives and that all performance information is complete and not intentionally missing pertinent data. In its simplest terms, transparency means all players put ?all of their cards on the table." An environment without transparency means one that is full of hidden agendas. It also means an environment of mistrust and damaged accountability.

Clarity

Clarity also is one of accountability's sustaining elements. In order for individuals or groups to execute authority and/or fulfill responsibility, they need to have a clear picture of what it is they are to execute/fulfill and what results are expected. Thus, key focus areas for clarity are:

- <u>Authority</u> - Authority is the right to act without prior approval from higher management and without challenge from managing peers (Frost, 1998). Individuals and groups within an organization must know who its authorities are and the degree of authority they possess. In other words, they need to be able to distinguish an organization's lines of authority, giving them a clear view of the organization's reporting structure. Additionally, those assigned authority must know the degree of authority they have been assigned in order to understand that for which they should and should not have to answer.
- <u>Organizational Mission</u> - Individuals and groups need to have a clear idea of the organizational mission and the role they play in achieving that mission. This clarity includes division, departmental, and/or team missions that feed into the overall organizational mission. Individuals and groups performing work with no sense of purpose or direction will not be efficient or effective, nor will they have a sense of ownership.
- <u>Roles and Responsibilities</u> - In order for an individual or group to fulfill a responsibility, they need to know (1) what their role is within the organizational mission and (2) what their responsibilities are within that role. The office of the Auditor General of Canada and the Treasury Board Secretariat (1998) puts it this way: ?There is a need for a good understanding of the roles and responsibilities of parties involved in an accountability relationship. Such an understanding provides the context within which both parties will respond and perform. Frequently, this requires clarification between the parties. If an understanding does not exist and required clarification has not occurred, the basic underpinnings of an effective relationship are absent. This risks confusing implementation of arrangements and, if things go wrong, make it more difficult to determine what happened. Parties in an accountability relationship must make certain that the responsibilities for the procedures and processes used are clear."
- <u>Performance Expectations</u> - Individuals and groups must know exactly what is expected of them in terms of performance if they are going to be asked to answer for the execution of authority and/or fulfillment of responsibility and accept liability for their results. If the performance expectation is unclear, then the identification of accountabilities too will be unclear. Trying to hold to account a person or group for results that they didn't know they were expected to achieve is untenable.
- <u>Performance Reporting</u> - Performance results need to be reported clearly and without bias, especially since such information will be used to drive improvement. As pointed out by the Auditor General of Canada and the Treasury Board Secretariat (1998), ?Effective accountability requires reporting (an accounting) of what has been accomplished . . . the reports must be seen as being credible, the information as useful and they must be timely. The results accomplished must be described, attributed in some manner to the authority, resources and actions taken, presented in light of the agreed expectations and reported in a reasonable time frame."

Balance

In order for accountability to work, there has to be a balance between accountability and authority; expectations and capacities; and pay and performance.

- Accountability and Authority - The Auditor General of British Columbia (1996) notes, ?It is pointless to hold program managers and executives accountable for performance if they do not have the authority to take the actions necessary to achieve that performance. Any substantial increase in accountability for performance must be accompanied by the necessary changes in authority."
- Expectations and Capacities - A point made by the Auditor General of Canada and the Treasury Board Secretariat (1998) is that performance expectations ?need to be clearly linked to and in balance with the capacity (authorities, skills and resources) of each party to deliver. An absence of a plausible link between what is expected and the authorities and resources supplied will tend to undermine the effectiveness of accountability. Expectations that are well beyond what is seen as reasonable for the resources provided will not be believed. On the other hand, achievement of what is seen as more than adequately resourced would not garner much credit. Accordingly, effective accountability is enhanced by clarity of the links, and balance, between resources and expected results."
- Pay and Performance - A real threat to an accountability environment is an imbalance between what an individual is paid for performance and what that individual is expected to perform. Low pay with high expectations can be demoralizing. High pay with low expectations can be uninspiring. There has to be a balance between the two.

Ownership

Optimal performance can be achieved by giving individuals and groups a sense of ownership for their actions. Ownership gives them an interest in their outcomes and, thus, leads them to ?take care of business" (fulfill their responsibilities). An example of this concept can be seen using the analogy of renting a car versus owning a car. Usually, a person renting a car pays no attention to vehicle maintenance or wear and tear. On the other hand, when the car is owned, particular attention is paid to maintenance (oil changes, tire rotation, etc.) and handling of the vehicle in order to achieve optimal performance and prolong the life of the vehicle. In other words, ownership increases responsible behavior and a caring attitude.

Developing a sense of ownership in individuals and groups can be achieved through a process called ?-menting." The seven pieces of this process are:

- Commitment - Commitment is the starting point of ownership. Management must show a commitment to the individual or group and also must get them to be committed to achieving their performance expectations. Management's commitment to the individual or group shows management's ownership of the actions and outcomes of that individual or group. It shows leadership by example, i.e., management ownership begets employee/group ownership.
- Agreement - Because accountability is a relationship or contract between two parties, agreement to the terms of the accountability relationship (authorities, roles and responsibilities, performance expectations, reporting requirements, and consequences) should be agreed upon before work is commenced. If there is agreement, there will be clarity and understanding. Without it, there will be uncertainty and lack of accountability. Additionally, agreeing to terms makes the person or group ?own" the contract.
- Involvement - Involvement in the planning and execution of work processes, and activities establishes employee buy-in to those processes and activities. Involvement creates ownership which increases loyalty and commitment which increases accountability.

- Empowerment - Empowerment is akin to management's sharing with individuals or groups a piece of their authority. Once performance expectations are defined and agreed upon, management grants the individual or group the power to accomplish these expectations within a given set of means. Empowering individuals or groups is a form of involvement, and it creates ownership and increases commitment.
- Investment - The degree of organizational investment (training, work resources, pay, etc.) in an employee indicates the degree to which that organization is committed to that employee. The degree to which the employee feels committed will determine the degree of his/her ownership of their work.
- Advancement - Advancement provides an employee with an opportunity for betterment, and the only way to advance is to excel at the current job and show the ability to perform additional work. The opportunity to advance will drive employee betterment and increase ownership of their circumstances.
- Inducement/Enticement - Rewarding performance is key to the accountability environment. It is one of the positive consequences of accountability. When employees know that rewards are tied to their performance, they will be committed to performing and will take ownership of their actions. Additionally, when employees are rewarded for performance, they develop a sense of accomplishment which makes them take pride in their work which increases ownership.

Consequences

As stated earlier in this document, accountability is meaningless without consequences. Accountability comes with liability, and liability indicates consequences. The consequences could be positive (rewards) or negative (sanctions). Whatever the case, consequences help drive the execution of authority, the fulfillment of responsibility, and the improvement of performance. Therefore, it is important to note that establishing consequences and not following through with them has the counter-effect of deflating the meaning and importance of accountability.

Consistency

Consistency assures stability. The inconsistent application of policies, procedures, resources, and/or consequences within an organization undermines the accountability environment by weakening perceived organizational commitment and credibility. It deflates employee morale and promotes employee cynicism. Ownership ?goes out the window" and performance suffers. Individuals and groups need consistency. It increases predictability and decreases the need to ?guess what's next."

Follow-Up

In their document, *Modernizing Accountability Practices in the Public Sector* (1998), the Auditor General of Canada and the Treasury Board Secretariat refer to this requirement as ?reasonable review and adjustment," noting that, ?Something has to happen as a result of reporting accountability information in order to 'close the loop'. The party or parties reviewing results need to consider what has been accomplished in light of expectations and the circumstances that existed, and then recognize achievements as well as under-achievements. Where expectations have clearly not been met, corrective actions may need to be taken, possible adjustments to the accountability arrangement made and lessons-learned noted. An accountability relationship without follow-up is clearly incomplete and unlikely to be effective."

Barriers to the Accountability Environment

In Volume 2, ?Establishing An Integrated Performance Measurement System," of *The Performance-Based Management Handbook*, a list of ?roadblocks" to performance measurement and ?pitfalls" of performance measurement systems was provided. In this volume, we are providing a list of barriers to the accountability environment—things that are counter-productive to establishing a healthy and effective accountability relationship. This list is not in-depth or all-inclusive, but it should provide a picture of some of the more ?likely-to-occur" barriers faced in the business world today.

1. <u>Hidden Agendas</u> - Business/office ?politics" sometimes focus employee performance on areas targeted for personal gain. Such tactics only leave employees feeling used (and abused) and not very motivated to perform. These tactics also destroy trust, a key element of accountability. Remember that accountability requires transparency . . . and transparency means openness.
2. <u>Favoritism</u> - Favoritism is a tricky issue. Management could favor high performers, leaving other employees feeling ?left out." Or management could favor employees regardless of performance, also leaving other employees abandoned. Accountability requires inclusiveness and team work. Favoritism doesn't support that requirement.
3. <u>Lack of Leadership</u> - Leadership commitment to establishing an accountability environment is crucial. Without it, performance results will be much less than expected
4. <u>Lack of Resources</u> - It is useless to expect optimal performance if individuals or teams are not provided with the resources to perform the work. To profit from performance, organizations must invest in their employees.
5. <u>Lack of Follow-Through</u> - When management says they are going to do something and they don't, it tells the employee that management can't be trusted to follow-through. For example, announcing rewards or penalties for performance and not following through with them, paints management as untrustworthy. It also doesn't inspire employees to perform.
6. <u>Lack of Clarity</u> - When lines of authority or roles and responsibilities aren't clear, it's difficult to pinpoint where certain accountabilities reside. It also lends to some performance obligations ?falling through the cracks." Clarity is essential to an accountability relationship.
7. <u>Data Misuse</u> - Performance information must be complete and credible, and it must be reported in a timely manner. Withholding data shows a lack of transparency and a need for mistrust. Not using data at all can come to mean that performance is not important to the organization. In either case, the accountability relationship suffers.

Establishing a Framework for Accountability

When an individual or organization is assigned authority and/or delegated responsibility, they must provide a plan, execute the plan, and measure and report real results relative to that plan. The recipient of the report provides feedback, a new plan is developed, and the cycle begins again. This cycle provides the basic framework for accountability. An example of this cycle is the accountability framework presented in the Auditor General of Alberta's document, *Government Accountability* (1997). The five steps in their framework along with added discussion are provided below and shown in Figure 3.2 on the following page:

1. <u>Set measurable goals, and responsibilities</u>. Flowing from the strategic planning efforts, develop performance objectives, measures, and expectations. Identify roles and responsibilities in relation to achieving these expectations.
2. <u>Plan what needs to be done to achieve goals</u>. Identify what actions need to be taken by whom, at what time, and at what cost. Identify what resources will be necessary to achieve goals. Identify consequences.

3. Do the work and monitor progress. Perform the work and measure its progress. Collect and analyze performance data.
4. Report on results. Prepare complete, understandable, and reliable reports on performance results and submit to pertinent entities in a timely manner.
5. Evaluate results and provide feedback. Evaluate results to determine what corrective actions need to be taken to improve performance . . . or to determine what rewards should be given for efficient and effective performance.

(See Appendix E for the Auditor General of Alberta's ?Guidelines for Accountability" which ?contains guidelines for assessing the effectiveness of an accountability framework.")

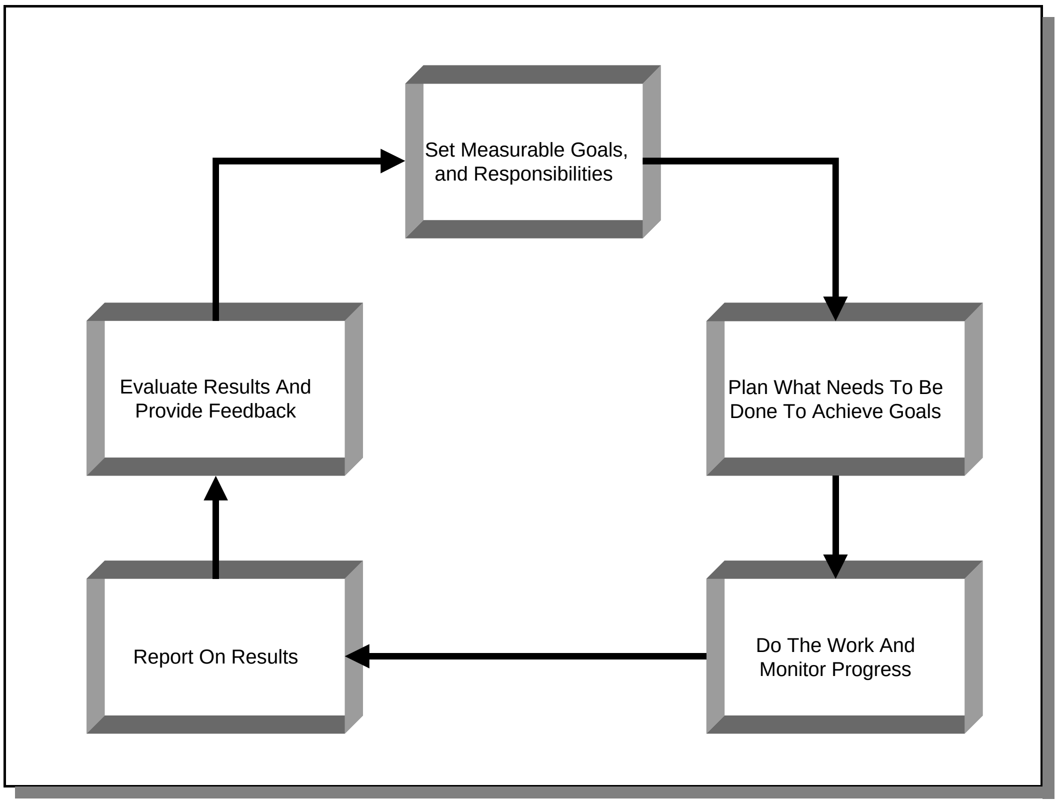

Figure 3.2

Auditor General of Alberta Framework for Accountability

A ?big picture" accountability framework can be found within the Government Performance and Results Act of 1993 (GPRA). GPRA requires agencies to develop strategic plans, set performance goals, and report annually on actual performance compared to goals. (See Figure 3.3 on the following page.) Flowing from this GPRA framework is DOE's accountability framework, known as the DOE Strategic Management System (shown in Figure 3.4 on the following page). This system shows the accountability cycle and the tools required to complete the cycle.

It is interesting to note that, in essence, all of these frameworks follow both the performance-based management process outlined in the Preface to this volume as well as the continuous improvement cycle (a.k.a. the Plan-Do-Check-Act Cycle). It is a ?simple" cycle that is not ?simply" put together and implemented. Just as was pointed out in the Volume 2 discussion on integrated performance measurement systems, it takes time to implement.

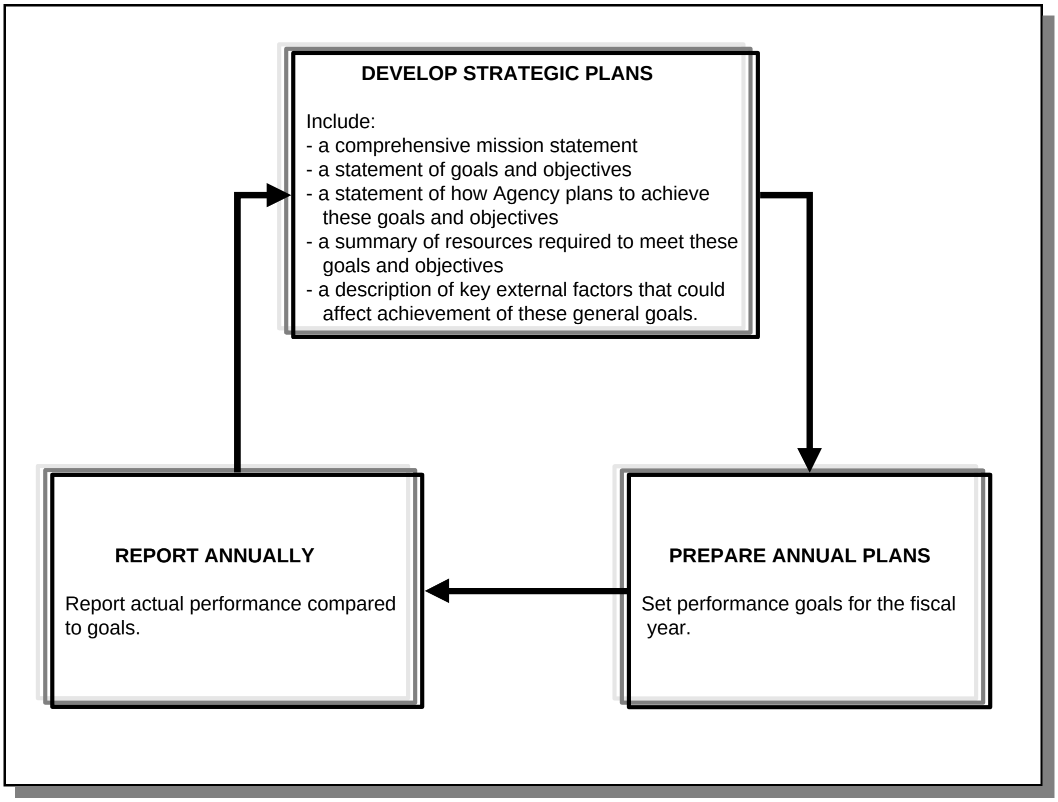

Figure 3.3

The GPRA Framework for Accountability

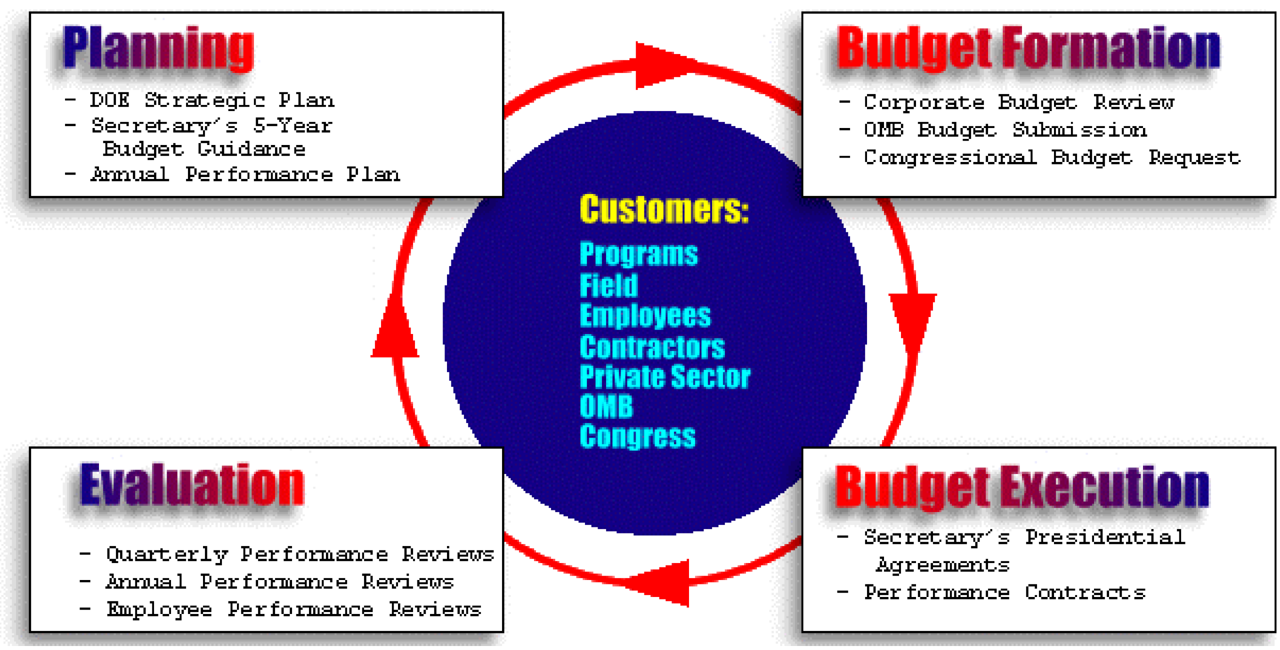

Figure 3.4

The DOE Strategic Management System: A Framework for Accountability

Section IV: Accountability Tools

Accountability for performance could not be established without the use of accountability tools. This fact was the main thrust of the establishment of the Government Performance and Results Act of 1993 (GPRA)—getting federal agencies to report their performance results through the use of several interlinked accountability tools. Some of these tools are covered in this section of Volume 3. Please note that the information provided in this section does not give an in-depth look at each tool nor does it cover all accountability tools.

(For more information on accountability tools, please refer to Appendix C: References/Suggested Reading. For specific information about DOE accountability tools, please go to the DOE Strategic Management System Web site at http://www.cfo.doe.gov.)

Accountability Tools

Since accountability requires reporting, the focus of accountability tools is on reporting of performance—both intentions and results. Accountability tools discussed in this section include:

- Strategic Plans
- Performance Agreements
- Performance Plans
- Accountability Reports
- Performance-Based Contracts
- Self-Assessments
- Performance Reviews
- Management Controls
- Equity Statements
- Accountability Meetings

Strategic Plans

Strategic planning is a process for helping organizations think about the objectives they should establish to fulfill their mission and in what directions they should move to achieve those objectives. It is the foundation for all planning, budgeting, execution, control, and evaluation activities by an organization. The benefits of strategic planning include building consensus around organizational goals, objectives, and priorities; providing the basis for resource allocations and operational planning; defining baselines for controlling outcomes; and helping to evaluate organizational performance.

Performance Plans

Performance plans outline organizational commitments to achieving specific results against the goals, objectives, and strategies of the organizational strategic plan for the resources requested in the budget. In other words, performance plans state what is going to be accomplished for the budgeted money. Performance plans are used for establishing performance agreements and for comparing to actual performance results.

Performance Agreements

Performance agreements are designed—in partnership with management and those actually doing the work—to provide a process for measuring performance and, therein, establish accountability. The agreements state expectations for each party signing the agreement. They help improve communication with customers and stakeholders, and make transparent the conduct of an organization or individual. Agreements written in plain and concise format with specific annual deliverables allow customers and stakeholders to know what they are getting for their money as well as give them an opportunity to influence organizational priorities.

Accountability Reports

Published annually, accountability reports include program and financial information, such as audited financial statements and performance measures reflecting performance in meeting key organizational goals. For example, the Department of Energy's FY 1998 Accountability Report integrates DOE's FY 1998 performance results, its financial status, and its management controls to provide a status report on DOE's performance in FY 1998.

Performance-Based Contracts

Industry has been using performance-based contracting since the 1980's to streamline the procurement cycle, achieve lower costs and higher quality and to move away from audit and inspection at the end of the procurement cycle to building in the performance expectation at the beginning of the cycle. Dramatic improvements have been made by allowing providers to be innovative in how they deliver the desired end product and by focusing on what the purchaser wants as an end product. Performance-based contracts hold the customer accountable for establishing clear performance expectations and the provider accountable for achieving those expectations.

Self-Assessments

Self-assessment is an on-going process whereby a performing organization monitors its own performance and evaluates its ability to meet performance objectives, measures and expectations, and to control and improve its processes. The culmination of this process is a self-assessment report. The report is used by the performing organization and other organizations in the chain of authority and responsibility to evaluate and assess performance and as a basis for continuous improvement. The self-assessment process includes:

- <u>Mutual Agreement</u> - Developing mutual agreement on performance objectives, measures, and expectations between the performing organization and the sponsoring or controlling organization.
- <u>Reasonable Assurance</u> - Providing reasonable assurance that appropriate in-process/internal controls are in place and that compliance requirements are being met where appropriate.
- <u>Continual Analysis</u> - Assessing performance on a continuous basis against agreed-upon performance objectives, measures, and expectations.
- <u>Demonstrating Performance Results</u> - Utilizing methods in addition to self assessments for demonstrating performance such as surveys of customers, managers, and process users; benchmark comparisons; Malcolm Baldrige assessment; balanced scorecard; and data trending.
- <u>Reporting</u> - Periodically submitting a formal self-assessment report to appropriate higher levels of the organization.

The self-assessment report format should be mutually agreed upon by the participants. Brevity is an objective, and charts and graphs should be used wherever possible. The report should address both strengths and weaknesses and provide an action plan to correct any weaknesses. To be effective, the self-assessment must be open and candid and accurately reflect the performance of the organization.

Performance Reviews

Performance reviews are an ongoing process of planning and monitoring performance. These reviews compare actual performance during a specified review period with planned performance for that period. From that comparison, concerns can be addressed, modifications can be made to performance expectations, and future direction can be planned. Performance reviews also serve as formal documentation of performance and for employee development and promotion.

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360 Performance Appraisals

The 360 Performance Appraisal refers to a ?full circle"—360 degree—questionnaire-based process that solicits feedback on an individual's or team's performance from people who have a working relationship (supervisors, customers, employees, and peers) with that individual or team. The feedback is reported to the individual or team in a way that allows them to compare it to their own self-assessment and also allows them to improve their performance.

Management Controls

Management accountability is the expectation that managers are responsible for the quality and timeliness of program performance, increasing productivity, controlling costs and mitigating adverse aspects of agency operations, and assuring that programs are managed with integrity and in compliance with applicable law (OMB, 1995). Management accountability is enhanced through management controls. As identified in the Office of Management and Budget Circular No. A-123, 1995, *Management Accountability and Control*, management controls are the organization, policies, and procedures used to reasonably ensure that:

- programs achieve their intended results;
- resources are used consistent with agency mission;
- programs and resources are protected from waste, fraud, and mismanagement;
- laws and regulations are followed; and
- reliable and timely information is obtained, maintained, reported and used for decision making.

See ?Appendix G: Management Accountability And Control" for the complete text of OMB Circular No. A-123.

Equity Statements *

If intended outcomes of proposed action would affect the public in important ways, fairness requires that the public understand the trade-offs implicit in what is planned—whose needs would be honored and whose would not. Because the ?who" question often goes unanswered, a simply-structured equity statement can set out, in summary form:

- who would benefit from what is proposed, how—both in the short and longer term, and why they should benefit,
- who would bear what costs and risks from it (both in the short and longer term) and why they should, and
- who would be accountable to whom, for what.

The equity statement is a balance sheet of intended fairness outcomes. Once validated, it becomes a useful briefing document to help stakeholders assess the fairness of proposed trade-offs. Before decisions are taken, the statement of intentions and reasoning should be reviewed and challenged by the appropriate body, whether a governing board, elected representatives, the public, or all three. Examples are proposed safety standards, corporate mergers, major public projects funded by governments or by institutions such as the World Bank, government social programs (or their curtailment), or proposed reallocation of power, such as in international trade or financing agreements. Publicly-challenged equity statements or their equivalent would help citizens inform themselves to commend what is proposed, alter it, or halt it. (See Appendix H for an example of an equity statement.)

* From the Citizens' Circle for Accountability, 1996.

Accountability Meetings

In their Web document, *Doing More for Less Without Being Overwhelmed* (available at: http://www.americantrainingalliance.com), the American Training Alliance Web site puts forth the concept of the Accountability Meeting. The purpose of the meeting is not to evaluate performance, rather it is to improve future performance by using past lessons learned and understanding present limitations. The meeting is conducted by those accountable for another's results, e.g., team leader, manager, supervisor, director, etc.

The Accountability Meeting is conducted one-on-one and is held weekly. It always focuses on three questions:

1. <u>What did you accomplish last week?</u> The focus here is on results, not activities.
2. <u>Do you have any on-going problems?</u> The focus here isn't on problem-solving, but on management's use of authority to help remove barriers to performance.
3. <u>What will you accomplish next week?</u> Again, the focus is on results. It also is on the future which can be carefully planned by management and the worker.

Written notes (not a report) are made on these three questions before the meeting to help focus and clarify thought.

Appendix A: Definitions

Because people often associate different meanings to ?common" terminology, definitions are always tricky and controversial. Such may be the case with the definitions given herein. Please remember that many of these definitions are applicable with respect to the U.S. Department of Energy and its operations. The intent here is to define terminology such that the reader can get a general understanding of it. The PBM SIG does not intend to be prescriptive or inflexible, nor does it admit to being the highest source of information.

Accountability
The obligation a person, group, or organization assumes for the execution of assigned authority and/or the fulfillment of delegated responsibility. This obligation includes: answering—providing an explanation or justification—for the execution of that authority and/or fulfillment of that responsibility; reporting on the results of that execution and/or fulfillment; and assuming liability for those results.

Activity
Actions taken by a program or an organization to achieve its objectives.

Assessment
An all-inclusive term used to denote the act of determining, through a review of objective evidence and witnessing the performance of activities, whether items, processes, or services meet specified requirements. Assessments are conducted through implementation of activities such as audits, performance evaluations, management system reviews, peer reviews, or surveillances, which are planned and documented by trained and qualified personnel.

Baseline
The initial level of performance at which an organization, process, or function is operating upon which future performance will be measured.

Benchmarking
1. To measure an organization's products or services against the best existing products or services of the same type. The benchmark defines the 100 percent mark on the measurement scale.
2. The process of comparing and measuring an organization's own performance on a particular process against the performance of organizations judged to be the best of a comparable industry.

Bottom Up
Starting with input from the people who actually do the work and consolidating that input through successively higher levels of management.

Cascaded Down
Starting with a top level of management, communicated to successively lower levels of management and employees.

Characteristics
Any property or attribute of an item, process, or service that is distinct, describable, and measurable.

Continuous Improvement
1. The undying betterment of a process based on constant measurement and analysis of results produced by the process and use of that analysis to modify the process.
2. Where performance gains achieved are maintained and early identification of deteriorating environmental, safety, and health conditions is accomplished.

Corrective Action
Actions taken to rectify conditions adverse to quality and, where necessary, to preclude repetition.

Criteria
The rules or tests against which the quality of performance can be measured.

Goal
1. The result that a program or organization aims to accomplish.
2. A statement of attainment/achievement, which is proposed to be accomplished or attained with an implication of sustained effort and energy.

Guideline
A suggested practice that is not mandatory in programs intended to comply with a standard. The word ?should" or ?may" denotes a guideline; the word ?shall" or ?must" denotes a requirement.

Impact
Characterization of the outcome of a program as it relates to specific objectives.

Item
An all-inclusive term used in place of the following: appurtenance, sample, assembly, component, equipment, material, module, part, structure, subassembly, subsystem, unit, documented concepts, or data.

Lessons Learned
A ?good work practice" or innovative approach that is captured and shared to promote repeat application. A lesson learned may also be an adverse work practice or experience that is captured and shared to avoid recurrence.

Line Manager
Includes all managers in the chain of command from the first-line supervisors to the top manager.

Management
All individuals directly responsible and accountable for planning, implementing, and assessing work activities.

Measurement
The quantitative parameter used to ascertain the degree of performance.

Metric
A standard or unit of measure.

Objective
A statement of the desired result to be achieved within a specified amount of time.

Occurrence
An unusual or unplanned event having programmatic significance such that it adversely affects or potentially affects the performance, reliability, or safety of a facility.

Outcome
The expected, desired, or actual result to which outputs of activities of an agency have an intended effect.

Outcome Measure
An assessment of the results of a program activity or effort compared to its intended purpose.

Output
A product or service produced by a program or process and delivered to customers (whether internal or external).

Output Measure
The tabulation, calculation, or recording of activity or effort and can be expressed in a quantitative or qualitative manner.

Performance-Based Management
A systematic approach to performance improvement through an ongoing process of establishing strategic performance objectives; measuring performance; collecting, analyzing, reviewing, and reporting performance data; and using that data to drive performance improvement.

Performance Expectation
The desired condition or target level of performance for each measure.

Performance Indicator(s)
1. A particular value or characteristic used to measure output or outcome.
2. A parameter useful for determining the degree to which an organization has achieved its goals.
3. A quantifiable expression used to observe and track the status of a process.
4. The operational information that is indicative of the performance or condition of a facility, group of facilities, or site.

Performance Measure
A quantitative or qualitative characterization of performance.

Performance Measurement
The process of measuring the performance of an organization, a program, a function, or a process.

Performance Objective
1. A statement of desired outcome(s) for an organization or activity.
2. A target level of performance expressed as a tangible, measurable objective, against which actual achievement shall be compared, including a goal expressed as a quantitative standard, value, or rate.

Performance Result
The actual condition of performance level for each measure.

Process
An ongoing, recurring, and systematic series of actions or operations whereby an input is transformed into a desired product (or output).

Process Improvement
A set of management techniques for controlling and improving the effectiveness and efficiency of a process. In order to be measured, monitored, and analyzed, the process must be repeated frequently, perhaps weekly or monthly at a minimum. It must also have measurable inputs and outputs, and the process must be controllable.

Program Evaluation
An assessment, through objective measurement and systematic analysis, of the manner and extent to which federal programs achieve intended objectives.

Quality
A degree to which a product or service meets customer requirements and expectations.

Quality Management
The management of a process to maximize customer satisfaction at the lowest cost.

Reengineering
The radical redesign of current business processes with the intent of reducing cost and cycle time resulting in increased customer satisfaction.

Root Cause
The basic reasons for conditions adverse to quality that, if corrected, will prevent occurrence or recurrence.

Root Cause Analysis
An analysis performed to determine the cause of part, system, and component failures.

Self-Assessment
A systematic evaluation of an organization's performance, with the objective of finding opportunities for improvement and exceptional practices. Normally performed by the people involved in the activity, but may also be performed by others within the organization with an arms-length relationship to the work processes.

Senior Management
The manager or managers responsible for mission accomplishment and overall operations.

Situation Analysis
The assessment of trends, strengths, weaknesses, opportunities, and threats, giving a picture of the organization's internal and external environment to determine the opportunities or obstacles to achieving organizational goals. Performed in preparation for strategic planning efforts.

Stakeholder
Any group or individual who is affected by or who can affect the future of an organization, e.g., customers, employees, suppliers, owners, other agencies, Congress, and critics.

Strategic Planning
A process for helping an organization envision what it hopes to accomplish in the future; identify and understand obstacles and opportunities that affect the organization's ability to achieve that vision; and set forth the plan of activities and resource use that will best enable the achievement of the goals and objectives.

Task
A well-defined unit of work having an identifiable beginning and end that is a measurable component of the duties and responsibilities of a specific job.

Total Quality Management
1. A management philosophy that involves everyone in an organization in controlling and continuously improving how work is done in order to meet customer expectations of quality.
2. The management practice of continuous improvement in quality that relies on active participation of both management and employees using analytical tools and teamwork.

Validation
An evaluation performed to determine whether planned actions, if implemented, will address specific issue(s) or objective(s).

Verification
1. A determination that an improvement action has been implemented as designed.
2. The act of reviewing, inspecting, testing, checking, auditing, or otherwise determining and documenting whether items, processes, services, or documents conform to specified requirements.

Appendix B: Acronyms

ABM . . . . . . Activity-based management
AOP . . . . . . Annual Operating Plan
APQC . . . . . . American Productivity and Quality Center
ARL . . . . . . Army Research Laboratory
ASQC . . . . . . American Society for Quality Control
BMOP . . . . . . Business Management Oversight Pilot
CEO . . . . . . Chief Executive Officer
CFO . . . . . . Chief Financial Officer
CIO . . . . . . Chief Information Officer
COO . . . . . . Chief Operating Officer
CPI . . . . . . Consumer Price Index
CRT . . . . . . DOE Contract Reform Team
CSF . . . . . . Critical success factor
DOE . . . . . . U.S. Department of Energy
ES&H . . . . . . Environment, safety and health
EVA . . . . . . Economic value-added
FY 19xx . . . . . . Fiscal Year 19xx
FY 200x . . . . . . Fiscal Year 200x
GAO . . . . . . General Accounting Office
GPRA . . . . . . Government Performance and Results Act of 1993
IBM . . . . . . International Business Machines
IRG . . . . . . Initial Review Group
ISO . . . . . . International Standards Organization
JIT . . . . . . Just-in-time
JPL . . . . . . Jet Propulsion Laboratory
MBNQA . . . . . . Malcolm Baldrige National Quality Award
M&I . . . . . . Management and Integrating
M&O . . . . . . Management and Operating
NAC . . . . . . National Advisory Council
NASA . . . . . . National Aeronautics and Space Administration
NIH . . . . . . National Institutes of Health
NPR . . . . . . National Performance Review
NRC . . . . . . Nuclear Regulatory Commission
NSF . . . . . . National Science Foundation

OMB . . . . Office of Management and Budget

OSHA . . . . Occupational Safety and Health Administration

PBM SIG . . . . Performance-Based Management Special Interest Group

PDCA . . . . Plan-Do-Check-Act Cycle

POCMs . . . . Performance objectives, criteria, and measures

QCDSM . . . . Quality, cost, delivery, safety, and morale

R&D . . . . Research and development

ROI . . . . Return on investment

S&T . . . . Science and technology

SAI . . . . Strategic Alignment Initiative

SPC . . . . Statistical process control

TQM . . . . Total Quality Management

UC . . . . University of California

UCOP . . . . University of California Office of the President

URL . . . . Universal Resource Locator

WWW . . . . World Wide Web

Appendix C: References/Suggested Reading

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Appendix D: Records Support Accountability

[Note: The following information comes from the *Government Recordkeeping Manual*, ?Records and Recordkeeping," published by the Government of New South Wales, Australia (2000). This document is available at: http://www.records.nsw.gov.au/publicsector/rk/rrk/rrk-09.htm.]

RECORDS SUPPORT ACCOUNTABILITY

Underpinning and supporting accountability in all its guises is the proof provided by records. As we have already noted, records are evidence—they provide us with proof of what happened or what decision or action was taken and, thus, they provide an essential means to meet accountability requirements.

Inadequate records and recordkeeping can contribute to, or even be instrumental in, accountability failures through:

- Failure of individuals or business systems to create records in the first place;
- Keeping records which are inadequate to meet accountability requirements, that is, records which are not complete, accurate and reliable;
- Failure to capture records into recordkeeping systems, with the result that they are subject to arbitrary destruction or cannot be found when required;
- Failure to maintain records for the period of time necessary to meet specific accountability requirements; and
- Failure to assign responsibility for different aspects of recordkeeping at appropriate levels in the organization, with the result that no-one takes responsibility.

With organizations increasingly conducting their business electronically, the connection between recordkeeping and accountability becomes even more important. Electronic information systems used for conducting business are not necessarily designed to function effectively as recordkeeping systems. If they are to support accountability requirements, recordkeeping systems—in the broad sense described above—must be designed to ensure the creation of adequate records and their capture, maintenance, and accessibility over time. Accountability requirements need to be built into electronic information and other business systems, for example, providing audit trails of access to, and use of, records.

Appendix E: Guidelines for Accountability

[Note: This information comes from the Auditor General of Alberta's document entitled *Government Accountability* (1997) located at http://www.oag.ab.ca/html/government_accountability.shtml.]

GUIDELINES FOR ACCOUNTABILITY

Introduction

This chapter contains guidelines for assessing the effectiveness of an accountability framework. These guidelines pull together thoughts of various experts, comments by the Government and views of the Office of the Auditor General. They should be used as criteria in our audit activities.

Guidelines

1. Accountability is necessary when responsibility is assigned and authority is delegated.

As noted, accountability is the obligation to answer for the execution of one's assigned responsibilities. In Alberta, responsibilities are defined in terms of expected results. Organizations are delegated the authority necessary to achieve the expected results within established constraints.

In a command and control environment, decisions are made at the highest levels. However, in an environment where authority is delegated and empowerment is emphasized, Ministers share responsibility and thus have less direct control. This makes it potentially more difficult for Ministers to ensure that their responsibilities are being met and their goals are being achieved. Therefore, an effective accountability framework is required when central control is reduced or eliminated. Reporting actual results against planned results provides Ministers with the information necessary to determine if their goals are being achieved.

2. The basic characteristics of accountability information are understandability, relevance, reliability, and comparability. Also, the cost of providing accountability information should not exceed the expected benefit.

Information included in accountability reports is used to make decisions. These decisions may affect a large number of people and involve millions of dollars. It is important that this information meets certain standards.

Performance information in traditional financial statements must conform to Generally Accepted Accounting Principles (GAAP). GAAP are the standards for determining profit, which is the key measure of performance in the private sector. Equivalent standards of performance do not yet exist in government and the not-for-profit sector. Experience is required before appropriate standards can be established. Nevertheless, we can draw on standards set for financial information to help us determine the basic characteristics for performance information standards in government. These basic characteristics are as follows.

- <u>Understandability</u> - The information is presented in a way that can be understood by users and is sufficient to provide an appropriate understanding of an organization's performance. Explaining the appropriate use of the information, how it was compiled, uncontrollable influences, and other factors may assist in understanding the information.
- <u>Relevance</u> - The information presented is significant to the assessments and decisions to be made. Relevance includes the assertion that the information is timely.

- Reliability - The information is free of material error, is unbiased, and is verifiable. It can be relied upon by the user to represent faithfully that which it purports to be, or that which it can reasonably be expected to represent.
- Comparability - Users are able to compare information from year to year and among similar organizations.
- Cost Beneficial - Providing accountability information has a cost. The cost of obtaining the information should not exceed the benefits. Analysis of benefits should not be limited to benefits within an organization, but should also include those benefits realized by key users of the information.

  Providing information to assess performance and improve decisions is the primary purpose of accountability reports. In Alberta, this assessment is carried out by Members of the Legislative Assembly and voters, who wish to determine if value has been received for money spent. Any assessment of cost benefit should include the benefits realized by these key users of accountability information.

3. All forms of accountability reporting should present information on outputs.

Accountability reports include business plans, budgets, annual reports and financial statements. Presentation of information in these reports on a common basis will help users when they assess performance.

The Government delivers outputs to achieve its goals. It must decide between alternative outputs and evaluate the performance of outputs. Therefore, Government needs to know the full cost and effect of outputs. Outputs are the common link among plans, budgets, financial statements and annual reports.

4. Expected results need to be clearly expressed and must be measurable.

Because the Government is focusing on results and holding people accountable for achieving those results, there should be a clear understanding and agreement on what results are expected. Also, clear performance measures are required to determine when results have been exceeded, met or not met.

5. Accountability reports should link information on the costs of outputs with information on their effects.

Is it cost effective? This is one of the basic questions asked in assessing the performance of an organization. To evaluate cost effectiveness, financial and performance information must be brought together in a meaningful way. Including performance information in plans (including budgets) and traditional financial statements will accomplish this goal.

For any Provincial organization, there should be a few key performance measures which will truly influence decisions. Including these measures in plans and financial statements will bring costs and supplementary performance information together.

The main advantages of including performance measures in plans and performance reports (including financial statements) are:

- they will be directly associated with costs, and therefore the reader will be able to relate costs with results;
- reported results will be audited, and therefore the reader will be able to rely on the information;
- existing reporting structures and systems will be used, meaning that no new and unproven form of reporting is needed; and
- legislators and the public will be able to assess plans and results more efficiently.

6. A Ministry accountability report should include all Provincial organizations accountable to the Minister.

A Ministry is made up of the organizations assigned to a particular Minister. The Minister then assigns responsibility to these organizations to achieve results. To understand the role of each organization in the Ministry, and to show the full responsibilities assigned to, and achievements of, each Minister, accountability reports of all the organizations should be consolidated in Ministry accountability reports.

7. Each organization and fund accountable to a Minister should prepare plans (including budgets) and performance reports.

Ministers assess performance of organizations and funds assigned to them. To do this, all organizations and funds should prepare plans, budgets, financial statements and annual reports. This information is also necessary to prepare consolidated Ministry reports. Generally, organization or fund accountability reports should be tabled in the Legislative Assembly as well as being combined with Ministry information. This information is required to fully assess the performance of a Minister.

8. Plans should be prepared by those who have been assigned responsibility. The plans should state results to be achieved, actions to be taken and by whom, estimated costs and performance targets. Those who assign responsibility should agree to the plans.

The first step in the accountability process is to explain how one plans to achieve expected results. Plans are normally developed through consultation among the parties in an accountability relationship. Through this process, responsibilities, authorities and expectations can be clarified. The result is agreement between those who assign responsibility and those who accept it.

Plans should state the purpose of an organization, results to be achieved, strategies, constraints, estimated costs and other resources, and performance measures. Because Ministry results may be achieved through the actions of a number of organizations, plans should also state what responsibility has been conferred to whom.

9. Performance reports (such as financial statements and annual reports) should compare actual to planned results.

Ultimately accountability is reporting, and reporting is done in the context of assigned responsibilities. These responsibilities are expressed in the plans agreed to by all parties in an accountability relationship. Because success is a measure of how well the Government, or a Ministry, or an operating entity did relative to its plans, performance reports should provide actual results compared to planned results.

10. Key accountability reports, including plans, budgets, financial statements and annual reports should be made public.

Because the people of Alberta elect Members of the Legislative Assembly, the Government is responsible and accountable to the electorate. To make this accountability relationship work, the electorate must rely on its elected representatives to ensure that necessary accountability information is made public.

Information tabled in the Legislative Assembly is public and therefore promotes accountability to the Legislative Assembly and to the people. An effective accountability framework for the Province of Alberta should require the tabling of all key accountability reports.

Accountability reports which should be tabled in the Legislative Assembly include plans, budgets, annual reports and financial statements for the Government, each Ministry and each operating entity. Government reports consolidate Ministry reports, and Ministry reports consolidate the reports of the entities which make up the Ministry. These reports are required to permit separate assessment of the performance of the Government, each Minister and each operating entity.

11. Published performance information should be audited.

Performance information is provided to Members of the Legislative Assembly, the public and creditors. These users rely on the information to assess the performance of the Government. Auditing appropriate information will assure users of the fairness of the information.

Auditors are expected to focus primarily on key performance information of a quantitative nature. Auditors conform to Generally Accepted Auditing Standards in carrying out this work. If an opportunity for improvement is noted, auditors should work with management to bring about change.

12. Accountability processes within Provincial organizations should be consistent with, and support, accountability to the Minister and the Legislative Assembly.

People inside, as well as outside, an organization need to assess its performance. A basic principle of the Government's new performance management framework requires a focus on results and the linking of an organization's internal plans to the Government's three-year business plans. Since the information required by both groups is similar, an organization's systems should be designed to support both sets of needs. This can be accomplished by using outputs as the common basis in accountability reporting.

13. The main elements of an effective accountability framework should be legislated.

Plans, budgets, financial statements and annual reports are all major elements of the Government's accountability framework. Each is needed to assess performance and manage for results. This is also true at the Ministry and organization level.

People may be reluctant to produce accountability information when expected results are not achieved. Ministries and the organizations within them, therefore, must be required to produce accountability information. To ensure lasting and timely compliance, the major elements of the framework should be legislated. Also, the policies of a Ministry or an organization should set out the accountability framework within that organization.

The benefits of a legislative framework include:

- the legislation will foster and focus debate in the Legislative Assembly to improve accountability,
- an enduring system with a consistent format and a common vocabulary will assist users in understanding accountability information,
- the electorate will have the opportunity to suggest improvements through their representatives, and
- information will be comparable across organizations, and a means of ensuring compliance will be established.

Appendix F: The Twelve Principles Of Accountability

[Note: This information has been provided by the Citizens' Circle for Accountability (CCA) (http://www.magi.com/~hemccand/cca.html).]

Principles of accountability guide conduct and suggest fair standards for answering for performance. If we agree that responsibility is the obligation to act, and that accountability is the obligation to answer for responsibilities, we can use principles to develop standards for public answering by people in authority that will have an effect on what they intend to do and how they perform. Here are twelve illustrative principles for important responsibilities and accountabilities:

1. **Intentions Disclosure** - People whose intentions would affect others in important ways tell those others the outcomes they seek to bring about. They state why they think the results they intend are desirable and fair. (The equity statement is one possible form of answering.)

2. **Directing Mind Visibility** - Those holding governments, corporations or other organizations to account identify the ?directing mind and will" publicly answerable for what the organizations intend to do, actually do or fail to do.

3. **Performance Visibility** - Achievement or its lack is disclosed through adequate public answering by those with the performance responsibilities. Those in authority answer promptly for the results of their actions and for the learning they gained and applied from it.

4. **Reciprocal Accountability** - People in senior authority in organizations answer to members of the organization for what they intend to bring about, for whom, and for what they think they contribute.

5. **Balance of Powers, Duties and Accountabilities** - Expectations for performance reporting reflect what is fairly within the control of those asked to answer, but they include reporting on how constraints beyond people's control are being dealt with.

6. **Answering for Precautions Taken** - People in authority have a duty to inform themselves sufficiently about significant risks to safety, social justice and the environment, and to apply the precautionary principle in their decisions. They answer publicly for having obtained reasonable assurance that it is safe to proceed and, when in doubt, for erring on the side of caution. (The U.S. Challenger space shuttle disaster is perhaps the best-known example of directing minds waiving the precautionary principle in a safety responsibility).

7. **Corporate Fairness** - The directing minds of corporations answer publicly for serving the public interest when, in making decisions within their power, a significant difference likely exists between the public interest and serving the wants of corporation owners, investors and management. Those responsible for governing or regulating corporations report the extent to which their supervision meets the intent of the precautionary principle.

8. **Citizen Caution** - Citizens apply to justice, equity and the preservation of community the same precautionary principle they must apply to safety and environmental protection. Through appropriate forums and legislation, they set the standards for public answering by decision-makers in authority and, through their elected representatives, ensure that the answering is adequate.

9. **Validation of Assertions** - Important answering for intentions and the reasoning, and for results and learning, is validated by knowledgeable public interest groups or professional practitioners—or both.

10. **Right Roles** - Those who are accountable give the answering; the obligation is not shifted to external inspectors, auditors, commissioners, ombudsmen or other examiners.

11. **Governing-Body and Citizen Responsibility** - To help ensure fair and complete answering, those holding to account act responsibly on answering given in good faith. They include both governing bodies and public interest groups.

12. **Wages of Abdication** - To the extent that citizens abdicate their responsibility to install public answering standards and hold fairly to account, they bring about civic incompetence and tacitly authorize the abuse of power.

Appendix G: OMB Circular A-123, *Management Accountability and Control*

The U.S. Office of Management and Budget (OMB) Circular A-123, *Management Accountability and Control* (1995), provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on management controls. Management Controls are defined as the organization, policies, and procedures used by agencies to make sure that programs achieve their intended results; resources are used consistently with an agency's mission; program resources are protected from waste; laws and regulations are followed; and reliable information is obtained, maintained, reported, and used for decision-making. Below is a copy of this circular.

Circular No. A-123

Revised
June 25, 1995

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

FROM: Alice M. Rivlin, Director

SUBJECT: Management Accountability and Control

1. **Purpose and Authority**. As Federal employees develop and implement strategies for reengineering agency programs and operations, they should design management structures that help ensure accountability for results, and include appropriate, cost-effective controls. This Circular provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on management controls.

The Circular is issued under the authority of the Federal Managers' Financial Integrity Act of 1982 as codified in 31 U.S.C. 3512.

The Circular replaces Circular No. A-123, ?Internal Control Systems," revised, dated August 4, 1986, and OMB's 1982 ?Internal Controls Guidelines" and associated ?Questions and Answers" document, which are hereby rescinded.

2. **Policy**. Management accountability is the expectation that managers are responsible for the quality and timeliness of program performance, increasing productivity, controlling costs and mitigating adverse aspects of agency operations, and assuring that programs are managed with integrity and in compliance with applicable law.

Management controls are the organization, policies, and procedures used to reasonably ensure that (I) programs achieve their intended results; (ii) resources are used consistent with agency mission; (iii) programs and resources are protected from waste, fraud, and mismanagement; (iv) laws and regulations are followed; and (v) reliable and timely information is obtained, maintained, reported and used for decision making.

3. **Actions Required**. Agencies and individual Federal managers must take systematic and proactive measures to (I) develop and implement appropriate, cost-effective management controls for results-oriented management; (ii) assess the adequacy of management controls in Federal programs and operations; (iii) identify needed improvements; (iv) take corresponding corrective action; and (v) report annually on management controls.

4. **Effective Date**. This Circular is effective upon issuance.

5. **Inquiries**. Further information concerning this Circular may be obtained from the Management Integrity Branch, Office of Federal Financial Management, Office of Management and Budget, Washington, DC 20503, 202/395-6911.

6. **Copies**. Copies of this Circular may be obtained by telephoning the Executive Office of the President, Publication Services, at 202/395-7332.

7. **Electronic Access**. This document is also accessible on the U.S. Department of Commerce's FedWorld Network under the OMB Library of Files.

- The Telnet address for FedWorld via Internet is ?fedworld.gov".
- The World Wide Web address is ?http://www.fedworld.gov/ftp.htm#omb".
- For file transfer protocol (FTP) access, the address is ?ftp://fwux.fedworld.gov/pub/omb/omb.htm".

The telephone number for the FedWorld help desk is 703/487-4608.

Note to Internet Users: This document, with associated explanatory material, was published in the Federal Register on June 29, 1995, Volume 60, Number 125, pages 33876-33872. This can be accessed from the Federal Register Online via GPO Access [wais.access.gpo.gov].

ATTACHMENT

I. INTRODUCTION

The proper stewardship of Federal resources is a fundamental responsibility of agency managers and staff. Federal employees must ensure that government resources are used efficiently and effectively to achieve intended program results. Resources must be used consistent with agency mission, in compliance with law and regulation, and with minimal potential for waste, fraud, and mismanagement.

To support results-oriented management, the **Government Performance and Results Act** (GPRA, P.L. 103-62) requires agencies to develop strategic plans, set performance goals, and report annually on actual performance compared to goals. As the Federal government implements this legislation, these plans and goals should be integrated into (I) the budget process, (ii) the operational management of agencies and programs, and (iii) accountability reporting to the public on performance results, and on the integrity, efficiency, and effectiveness with which they are achieved.

Management accountability is the expectation that managers are responsible for the quality and timeliness of program performance, increasing productivity, controlling costs and mitigating adverse aspects of agency operations, and assuring that programs are managed with integrity and in compliance with applicable law. Management controls -- organization, policies, and procedures -- are tools to help program and financial managers achieve results and safeguard the integrity of their programs. This Circular provides guidance on using the range of tools at the disposal of agency managers to achieve desired program results and meet the requirements of the Federal Managers' Financial Integrity Act (FMFIA, referred to as the Integrity Act throughout this document).

Framework. The importance of management controls is addressed, both explicitly and implicitly, in many statutes and executive documents. The **Federal Managers' Financial Integrity Act** (P.L. 97-255) establishes specific requirements with regard to management controls. The agency head must establish controls that reasonably ensure that: (I) obligations and costs comply with applicable law; (ii) assets are safeguarded against waste, loss, unauthorized use or misappropriation; and (iii) revenues and expenditures are properly recorded and accounted for. 31 U.S.C. 3512(c)(1). In addition, the agency head annually must evaluate and report on the control and financial systems that protect the integrity of Federal programs. 31 U.S.C. 3512(d)(2). The Act encompasses program, operational, and administrative areas as well as accounting and financial management.

Instead of considering controls as an isolated management tool, agencies should integrate their efforts to meet the requirements of the Integrity Act with other efforts to improve effectiveness and accountability. Thus, management controls should be an integral part of the entire cycle of planning, budgeting, management, accounting, and auditing. They should support the effectiveness and the integrity of every step of the process and provide continual feedback to management.

For instance, good management controls can assure that performance measures are complete and accurate. As another example, the management control standard of organization would align staff and authority with the program responsibilities to be carried out, improving both effectiveness and accountability. Similarly, accountability for resources could be improved by more closely aligning budget accounts with programs and charging them with all significant resources used to produce the program's outputs and outcomes.

Meeting the requirements of the **Chief Financial Officers Act** (P.L. 101-576, as amended) should help agencies both establish and evaluate management controls. The Act requires the preparation and audit of financial statements for 24 Federal agencies. 31 U.S.C. 901(b), 3515. In this process, auditors report on internal controls and compliance with laws and regulations. Therefore, the agencies covered by the Act have a clear opportunity both to improve controls over their financial activities, and to evaluate the controls that are in place.

The **Inspector General Act** (P.L. 95-452, as amended) provides for independent reviews of agency programs and operations. Offices of Inspectors General (OIGs) and other external audit organizations frequently cite specific deficiencies in management controls and recommend opportunities for improvements. Agency managers, who are required by the Act to follow up on audit recommendations, should use these reviews to identify and correct problems resulting from inadequate, excessive, or poorly designed controls, and to build appropriate controls into new programs.

Federal managers must carefully consider the appropriate balance of controls in their programs and operations. Fulfilling requirements to eliminate regulations (?**Elimination of One-Half of Executive Branch Internal Regulations,"** Executive Order 12861) should reinforce to agency managers that too many controls can result in inefficient and ineffective government, and therefore that they must ensure an appropriate balance between too many controls and too few controls. Managers should benefit from controls, not be encumbered by them.

Agency Implementation. Appropriate management controls should be integrated into each system established by agency management to direct and guide its operations. A separate management control process need not be instituted, particularly if its sole purpose is to satisfy the Integrity Act's reporting requirements.

Agencies need to plan for how the requirements of this Circular will be implemented. Developing a written strategy for internal agency use may help ensure that appropriate action is taken throughout the year to meet the objectives of the Integrity Act. The absence of such a strategy may itself be a serious management control deficiency.

Identifying and implementing the specific procedures necessary to ensure good management controls, and determining how to evaluate the effectiveness of those controls, is left to the discretion of the agency head. However, agencies should implement and evaluate controls without creating unnecessary processes, consistent with recommendations made by the National Performance Review.

The President's Management Council, composed of the major agencies' chief operating officers, has been established to foster governmentwide management changes (**?**Implementing Management Reform in the

Executive Branch," October 1, 1993). Many agencies are establishing their own senior management council, often chaired by the agency's chief operating officer, to address management accountability and related issues within the broader context of agency operations. Relevant issues for such a council include ensuring the agency's commitment to an appropriate system of management controls; recommending to the agency head which control deficiencies are sufficiently serious to report in the annual Integrity Act report; and providing input for the level and priority of resource needs to correct these deficiencies. (See also Section III of this Circular.)

II. ESTABLISHING MANAGEMENT CONTROLS

Definition of Management Controls. Management controls are the organization, policies, and procedures used by agencies to reasonably ensure that (I) programs achieve their intended results; (ii) resources are used consistent with agency mission; (iii) programs and resources are protected from waste, fraud, and mismanagement; (iv) laws and regulations are followed; and (v) reliable and timely information is obtained, maintained, reported and used for decision making.

Management controls, in the broadest sense, include the plan of organization, methods and procedures adopted by management to ensure that its goals are met. Management controls include processes for planning, organizing, directing, and controlling program operations. A subset of management controls are the internal controls used to assure that there is prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets.

Developing Management Controls. As Federal employees develop and execute strategies for implementing or reengineering agency programs and operations, they should design management structures that help ensure accountability for results. As part of this process, agencies and individual Federal managers must take systematic and proactive measures to develop and implement appropriate, cost-effective management controls. The expertise of the agency CFO and IG can be valuable in developing appropriate controls.

Management controls guarantee neither the success of agency programs, nor the absence of waste, fraud, and mismanagement, but they are a means of managing the risk associated with Federal programs and operations. To help ensure that controls are appropriate and cost-effective, agencies should consider the extent and cost of controls relative to the importance and risk associated with a given program.

Standards. Agency managers shall incorporate basic management controls in the strategies, plans, guidance and procedures that govern their programs and operations. Controls shall be consistent with the following standards, which are drawn in large part from the ?Standards for Internal Control in the Federal Government," issued by the General Accounting Office (GAO).

General management control standards are:

- **Compliance With Law**. All program operations, obligations and costs must comply with applicable law and regulation. Resources should be efficiently and effectively allocated for duly authorized purposes.
- **Reasonable Assurance and Safeguards**. Management controls must provide reasonable assurance that assets are safeguarded against waste, loss, unauthorized use, and misappropriation. Management controls developed for agency programs should be logical, applicable, reasonably complete, and effective and efficient in accomplishing management objectives.
- **Integrity, Competence, and Attitude**. Managers and employees must have personal integrity and are obligated to support the ethics programs in their agencies. The spirit of the Standards of Ethical Conduct requires that they develop and implement effective management controls and maintain a level of competence that allows them to accomplish their assigned duties. Effective communication within and between offices should be encouraged.

Specific management control standards are:

- **Delegation of Authority and Organization**. Managers should ensure that appropriate authority, responsibility and accountability are defined and delegated to accomplish the mission of the organization, and that an appropriate organizational structure is established to effectively carry out program responsibilities. To the extent possible, controls and related decision-making authority should be in the hands of line managers and staff.
- **Separation of Duties and Supervision**. Key duties and responsibilities in authorizing, processing, recording, and reviewing official agency transactions should be separated among individuals. Managers should exercise appropriate oversight to ensure individuals do not exceed or abuse their assigned authorities.
- **Access to and Accountability for Resources**. Access to resources and records should be limited to authorized individuals, and accountability for the custody and use of resources should be assigned and maintained.
- **Recording and Documentation**. Transactions should be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination.
- **Resolution of Audit Findings and Other Deficiencies**. Managers should promptly evaluate and determine proper actions in response to known deficiencies, reported audit and other findings, and related recommendations. Managers should complete, within established timeframes, all actions that correct or otherwise resolve the appropriate matters brought to management's attention.

Other policy documents may describe additional specific standards for particular functional or program activities. For example, OMB Circular No. A-127, ?Financial Management Systems," describes government-wide requirements for financial systems. The Federal Acquisition Regulations define requirements for agency procurement activities.

III. ASSESSING AND IMPROVING MANAGEMENT CONTROLS

Agency managers should continuously monitor and improve the effectiveness of management controls associated with their programs. This continuous monitoring, and other periodic evaluations, should provide the basis for the agency head's annual assessment of and report on management controls, as required by the Integrity Act. Agency management should determine the appropriate level of documentation needed to support this assessment.

Sources of Information. The agency head's assessment of management controls can be performed using a variety of information sources. Management has primary responsibility for monitoring and assessing controls, and should use other sources as a supplement to—not a replacement for—its own judgment. Sources of information include:

- Management knowledge gained from the daily operation of agency programs and systems.
- Management reviews conducted (I) expressly for the purpose of assessing management controls, or (ii) for other purposes with an assessment of management controls as a by-product of the review.
- Inspector General (IG) and General Accounting Office (GAO) reports, including audits, inspections, reviews, investigations, outcome of hotline complaints, or other products.
- Program evaluations.
- Audits of financial statements conducted pursuant to the Chief Financial Officers Act, as amended, including: information revealed in preparing the financial statements; the auditor's reports on the financial statements, internal controls, and compliance with laws and regulations; and any other materials prepared relating to the statements.

- Reviews of financial systems which consider whether the requirements of OMB Circular No. A-127 are being met.
- Reviews of systems and applications conducted pursuant to the Computer Security Act of 1987 (40 U.S.C. 759 note) and OMB Circular No. A-130, ?Management of Federal Information Resources."
- Annual performance plans and reports pursuant to the Government Performance and Results Act.
- Reports and other information provided by the Congressional committees of jurisdiction.
- Other reviews or reports relating to agency operations, e.g. for the Department of Health and Human Services, quality control reviews of the Medicaid and Aid to Families with Dependent Children programs.

Use of a source of information should take into consideration whether the process included an evaluation of management controls. Agency management should avoid duplicating reviews which assess management controls, and should coordinate their efforts with other evaluations to the extent practicable.

If a Federal manager determines that there is insufficient information available upon which to base an assessment of management controls, then appropriate reviews should be conducted which will provide such a basis.

Identification of Deficiencies. Agency managers and employees should identify deficiencies in management controls from the sources of information described above. A deficiency should be reported if it is or should be of interest to the next level of management. Agency employees and managers generally report deficiencies to the next supervisory level, which allows the chain of command structure to determine the relative importance of each deficiency.

A deficiency that the agency head determines to be significant enough to be reported outside the agency (i.e. included in the annual Integrity Act report to the President and the Congress) shall be considered a ?material weakness." [1] This designation requires a judgment by agency managers as to the relative risk and significance of deficiencies. Agencies may wish to use a different term to describe less significant deficiencies, which are reported only internally in an agency. In identifying and assessing the relative importance of deficiencies, particular attention should be paid to the views of the agency's IG.

Agencies should carefully consider whether systemic problems exist that adversely affect management controls across organizational or program lines. The Chief Financial Officer, the Senior Procurement Executive, the Senior IRM Official, and the managers of other functional offices should be involved in identifying and ensuring correction of systemic deficiencies relating to their respective functions.

Agency managers and staff should be encouraged to identify and report deficiencies, as this reflects positively on the agency's commitment to recognizing and addressing management problems. Failing to report a known deficiency would reflect adversely on the agency.

Role of A Senior Management Council. Many agencies have found that a senior management council is a useful forum for assessing and monitoring deficiencies in management controls. The membership of such councils generally includes both line and staff management; consideration should be given to involving the IG. Such councils generally recommend to the agency head which deficiencies are deemed to be material to the agency as a whole, and should therefore be included in the annual Integrity Act report to the President and the Congress. (Such a council need not be exclusively devoted to management control issues.) This process will help identify deficiencies that although minor individually, may constitute a material weakness in the aggregate. Such a council may also be useful in determining when sufficient action has been taken to declare that a deficiency has been corrected.

IV. CORRECTING MANAGEMENT CONTROL DEFICIENCIES

Agency managers are responsible for taking timely and effective action to correct deficiencies identified by the variety of sources discussed in Section III. Correcting deficiencies is an integral part of management accountability and must be considered a priority by the agency.

The extent to which corrective actions are tracked by the agency should be commensurate with the severity of the deficiency. Corrective action plans should be developed for all material weaknesses, and progress against plans should be periodically assessed and reported to agency management. Management should track progress to ensure timely and effective results. For deficiencies that are not included in the Integrity Act report, corrective action plans should be developed and tracked internally at the appropriate level.

A determination that a deficiency has been corrected should be made only when sufficient corrective actions have been taken and the desired results achieved. This determination should be in writing, and along with other appropriate documentation, should be available for review by appropriate officials. (See also role of senior management council in Section III.)

As managers consider IG and GAO audit reports in identifying and correcting management control deficiencies, they must be mindful of the statutory requirements for audit followup included in the IG Act, as amended. Under this law, management has a responsibility to complete action, in a timely manner, on audit recommendations on which agreement with the IG has been reached. 5 U.S.C. Appendix 3. (Management must make a decision regarding IG audit recommendations within a six month period and implementation of management's decision should be completed within one year to the extent practicable.) Agency managers and the IG share responsibility f or ensuring that IG Act requirements are met.

V. REPORTING ON MANAGEMENT CONTROLS

Reporting Pursuant to Section 2. 31 U.S.C. 3512(d)(2) (commonly referred to as Section 2 of the Integrity Act) requires that annually by December 31, the head of each executive agency submit to the President and the Congress (I) a statement on whether there is reasonable assurance that the agency's controls are achieving their intended objectives; and (ii) a report on material weaknesses in the agency's controls. OMB may provide guidance on the composition of the annual report.

- **Statement of Assurance**. The statement on reasonable assurance represents the agency head's informed judgment as to the overall adequacy and effectiveness of management controls within the agency. The statement must take one of the following forms: statement of assurance; qualified statement of assurance, considering the exceptions explicitly noted; or statement of no assurance.

  In deciding on the type of assurance to provide, the agency head should consider information from the sources described in Section III of this Circular, with input from senior program and administrative officials and the IG. The agency head must describe the analytical basis for the type of assurance being provided, and the extent to which agency activities were assessed. The statement of assurance must be signed by the agency head.

- **Report on Material Weaknesses**. The Integrity Act report must include agency plans to correct the material weaknesses and progress against those plans.

Reporting Pursuant to Section 4. 31 U.S.C. 3512(d)(2)(B) (commonly referred to as Section 4 of the Integrity Act) requires an annual statement on whether the agency's financial management systems conform with government-wide requirements. These financial systems requirements are presented in OMB Circular No. A-127, ?Financial Management Systems," section 7. If the agency does not conform with financial systems requirements, the statement must discuss the agency's plans for bringing its systems into compliance.

If the agency head judges a deficiency in financial management systems and/or operations to be material when weighed against other agency deficiencies, the issue must be included in the annual Integrity Act report in the same manner as other material weaknesses.

Distribution of Integrity Act Report. The assurance statements and information related to both Sections 2 and 4 should be provided in a single Integrity Act report. Copies of the report are to be transmitted to the President; the President of the Senate; the Speaker of the House of Representatives; the Director of OMB; and the Chairpersons and Ranking Members of the Senate Committee on Governmental Affairs, the House Committee on Government Reform and Oversight, and the relevant authorizing and appropriations committees and subcommittees. In addition, 10 copies of the report are to be provided to OMB's Office of Federal Financial Management, Management Integrity Branch. Agencies are also encouraged to make their reports available electronically.

Streamlined Reporting. The Government Management Reform Act (GMRA) of 1994 (P.L. 103-356) permits OMB for fiscal years 1995 through 1997 to consolidate or adjust the frequency and due dates of certain statutory financial management reports after consultation with the Congress. GMRA prompted the CFO Council to recommend to OMB a new approach towards financial management reporting which could help integrate management initiatives. This proposal is being pilot-tested by several agencies for FY 1995. Further information on the implications of this initiative for other agencies will be issued by OMB after the pilot reports have been evaluated. In the meantime, the reporting requirements outlined in this Circular remain valid except for those agencies identified as pilots by OMB.

Under the CFO Council approach, agencies would consolidate Integrity Act information with other performance-related reporting into a broader **?**Accountability Report" to be issued annually by the agency head. This report would be issued as soon as possible after the end of the fiscal year, but no later than March 31 for agencies producing audited financial statements and December 31 for all other agencies. The proposed **?**Accountability Report" would integrate the following information: the Integrity Act report, management's Report on Final Action as required by the IG Act, the CFOs Act Annual Report (including audited financial statements), Civil Monetary Penalty and Prompt Payment Act reports, and available information on agency performance compared to its stated goals and objectives, in preparation for implementation of the GPRA.

Government Corporations. Section 306 of the Chief Financial Officers Act established a reporting requirement related to management controls for corporations covered by the Government Corporation and Control Act. 31 U.S.C. 9106. These corporations must submit an annual management report to the Congress not later than 180 days after the end of the corporation's fiscal year. This report must include, among other items, a statement on control systems by the head of the management of the corporation consistent with the requirements of the Integrity Act.

The corporation is required to provide the President, the Director of OMB, and the Comptroller General a copy of the management report when it is submitted to Congress.

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[1] This Circular's use of the term **?**material weakness" should not be confused with use of the same term by government auditors to identify management control weaknesses which, in their opinion, pose a risk or a threat to the internal control systems of an audited entity, such as a program or operation. Auditors are required to identify and report those types of weaknesses at any level of operation or organization, even if the management of the audited entity would not report the weaknesses outside the agency.

Appendix H: An Example of an Equity Statement

[Note: This information comes from the Citizens' Circle for Accountability's *Background Documents* Web page (located at http://www.magi.com/~hemccand/resource.html).]

Reducing Rush-Hour Car Occupancy Requirements on U.S. Interstate 66

As pollution and traffic jams increase, some localities encourage commuters to make greater use of car pools and public transportation. In some instances this encouragement is in the form of restricting certain highway lanes, or even entire sections of particular highways, to vehicles with a minimum number of passengers. Thus, High Occupancy Vehicles (HOVs) encounter less traffic in their lanes (or roads) during rush hours. Several such restrictions exist in Northern Virginia. Interstates 95 and 395 have dedicated lanes which are limited to HOV-3 vehicles during rushhours. Until recently, all lanes inbound on I-66 were HOV-3 restricted during morning rush hours from the intersection with I-495, eastbound to where I-66 ends at the foot of Teddy Roosevelt Bridge. This restriction was repeated westbound during the afternoon rush hours.

In 1995, Virginia State Transportation Department officials relaxed the HOV requirement for each vehicle from three passengers to two. The following equity statement shows the trade-offs involved in this change in HOV restrictions on I-66, written as at the time the decision was proposed.

<u>Equity Statement</u>

Responsible agency . . . . Virginia State Department of Transportation

Program . . . . High Occupancy Vehicle Requirements

Project . . . . I-66 Milepost 64 - Milepost 75

Proposal . . . . Reduce HOV requirement during rush hour from three passengers to two

Overall Achievement Objective . . . . Reduce underutilization of I-66

[CCA Convenors' note: Identifying the accountable agency's prime objectives (real tasks) is central to assessing fairness trade-offs.]

Who Would Benefit?

1. <u>Automobile commuters on I-66</u>. Commuters wanting to travel in pairs eastbound during rush hour into the District of Columbia, Arlington County, and parts of Alexandria would be able to use the portion of I-66 inside the I-495 Beltway that had previously been reserved for vehicles with at least three passengers. This portion of I-66 generally flows more freely and at higher speeds than alternative routes such as U.S. Route 50 and 29, and the George Washington Memorial Parkway. Thus, commuters would be able to shorten the duration and length of their commutes.

2. <u>Automobile commuters on alternative routes</u>. Commuters who continue to travel on the alternative routes would experience a more relaxing and faster commute because of the volume of traffic that would be diverted from these routes to I-66. In order to validate this assumption, the Highway Department would have to take traffic counts on these alternative routes to compare the volumes with those before the relaxation of the HOV requirement.

3. <u>MetroRail commuters</u>. MetroRail passengers would experience a more enjoyable commute. This corridor is currently served by the MetroRail Orange Line, which runs from the intersection of Nutley Avenue and I-66 in Vienna, east into downtown Washington, D.C. Currently the route is served by ?rush-hour"

service, meaning that the trains have the maximum number of cars and depart to and from Vienna every six minutes. Despite this level of service, all seats are usually full by the second Metro stop, resulting in many passengers having to stand in crowded aisleways pressed against other passengers for most of the trip. To the extent some of these MetroRail passengers would choose to drive because of the I-66 relative convenience advantage, the trip would be less crowded and more pleasant for those continuing to travel on MetroRail.

4. Employers. Employers would benefit because employees would arrive on time more frequently, and more relaxed because of a more pleasant commute. This could lead to higher worker productivity and greater profitability for the employers.

Who Would Bear the Costs, Now and in the Future?

1. Residents. Neighbors who live near I-66 would suffer more noise and air pollution, as the highway would have more drivers on it during rush hours. Depending on the extent of the pollution, residents living near I-66 may experience a decrease in value of their homes and businesses.

2. Citizens generally. As more people drive instead of using public transportation and car-pooling, the environment would become more polluted throughout Northern Virginia. Higher governmental pollution controls may be necessitated, with businesses facing higher operating costs. Productivity may suffer, and tax burdens may increase for all Virginians. The impact of the damage to public goods such as air would be felt by all citizens and businesses since it is difficult to assign directly the responsibility for the reparation of damages to the public goods.

3. MetroRail commuters. Metro riders may face higher fares. If ridership falls, Metro would have to raise the price of its rail service by charging the remaining riders higher prices. Falling ridership is likely to result in service cutbacks as well, since the local governments in the greater Washington D.C. area are not in a position to increase their Metro payments. Since the District of Columbia is in the worst financial condition and has the greatest percentage of residents who do not own cars, D.C. residents are likely to bear the inconvenience from a reduction of MetroRail service disproportionately.

4. Citizens. Health insurance costs may rise since more accidents are likely to occur if Metro riders choose to drive instead. Driving is not as safe as riding the Metro and accident victims raise the cost of medical insurance for all subscribers. Furthermore, more police and rescue squad coverage may be needed to accommodate the increase in traffic.

   Taxpayers would bear the costs of policy studies and policy changes of the HOV change proposal. Legislative costs resulting from modifying the state statutes, and implementation costs ranging from changing highway signs to educating the public on HOV changes are ultimately paid by the taxpayer.

   State coffers would be affected by the reduction of fines that would otherwise be paid by violators driving solo on HOV-3 roads during rush hours. With the law relaxed, revenues from fines would probably decline.

Who Is Publicly Accountable to Whom, for What?

The Transportation Department is accountable to the Governor and the legislature, as well as to the citizens of the State. Citizens can reasonably expect that it is the responsibility of the Transportation Department to balance the transportation needs of all Virginians with concerns for the environment and the quality of life, and to answer for its responsibilities. For example, the Environmental Protection Agency requires that states implement policies such as exhaust emissions testing if pollution levels become too high.

MetroRail officials are accountable not only to the Metro riders, but also to state (and District of Columbia) and federal agencies. If ridership falls, metro administrators must respond accordingly. Since the Metro system relies so much on government funding, it must ensure that it complies with all government edicts, or its funding may be threatened. And if the riders do not feel as though they are getting their money's worth, they may simply choose another form of transportation.

Commuters are accountable for their use of all roads and highways. If they endanger the lives of others or even themselves, they will be fined or arrested by state law enforcement officials. Society as a whole is responsible for the use of the environment, which includes setting regulations for protection of the environment such as through EPA's restrictions.

Appendix J: Contributors to Volume 3

The following people provided input to the ?original edition" of Volume 3 which was posted on the PBM SIG Web site in mid-1999. Some of the material from that original volume was included in this volume, and the PBM SIG would like to recognize those people for their contributions.

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