



March 21, 2018

To: ARC Executive Director
ARC General Counsel
ARC Director, Community Investments
ARC Regional Planning & Research Director
ARC Assistant General Counsel

From: Hubert Sparks, Inspector General

Subject: OIG Report 18-07 - Performance Measures

Summary

The purpose of this evaluation was to follow-up on prior recommendations dealing with identification and reporting on actual performance measure outcomes. We concluded that continued action is necessary to effectively implement provisions of the Government Performance and Results Act (GPRA). ARC actions to identify actual outcomes are limited and the annual agency Performance and Accountability Report (PAR) identifies grantee estimates of outcomes in grant applications as results achieved. Information available in grant close out reports or validation samples based on telephone communications are not utilized or have limited value for identifying and reporting actual outcomes.

Prior ARC contracted program evaluations have also emphasized the need for actions to obtain actual performance metrics.

Scope and Background

The scope included information available in ARC.Net, the ARC grant management system, with respect to performance measures identified in applications and reporting of outputs and outcomes based on grantee close out reports, validation samples and discussion with staff.

The GPRA was enacted to improve program performance and requires agencies to develop strategic plans and prepare related annual performance plans and annual performance reports.

The GPRA states that each program performance report shall set forth the performance indicators established in the agency performance plan and the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year. It also provides for addressing actual results for the prior five years as a means of assessing program outcomes.

Project validations were recently revised to confirm project outcomes after the projects have been completed. This included project validation for projects that been closed for three years in order to capture more accurate data on performance measures which can continue to accrue after a project has been completed. Planned actions included developing protocols for the performance validations, including grantee interviews, follow-up documentation and verification of metrics as well as systems for recording reporting and using this information to improve ARC programs.

OIG concurred with the planned actions.

Results

A review of information provided for the FY 2017 PAR and review of prior PARs noted that outcomes based estimates included in grant applications were used to identify “results achieved”. For example, the FY 2016 PAR Summary of Achievements identified the percentage of goals achieved based on outcome estimates identified in grant applications (Table A). Additional PAR information about performance measures uses intermediate estimates.

The use of estimates rather than actual outcomes conflicts with GPRA goal to identify actual performance measure outcomes including outcomes over a multi-year period. We disagree with use of “results achieved” terminology with respect to outcomes and determination of percent of goal achievement based on estimated outcomes and use of intermediate estimates without identification and reporting of some actual outcomes.

Outcomes included in grant closeouts or validations are not used to identify actual results in PARs. Closeout information supplemented by a sample of source documented validations provide more credible information of actual results. Review of closeout reports, validations and post-closing follow-up noted varying degrees of accomplishments including outcomes above and below the initial estimates.

Closeout information and validations generally did not identify sources of the reported outcomes such as businesses or entities creating jobs or providing large leveraged investments. In many cases application estimated outcomes are the same as closeout outcomes. For example, a review of closed grants related to the FY 2014 PAR measurement information identified six closed grants with the same initial and closed outcomes of \$112 million in leveraged investments. This included two estimates of \$40 million. We concluded that it is unrealistic for reported outcomes to be the same as initial estimates in such cases.

We recognize that expecting final outcomes at time of grant expenditures or grant closing is often not realistic. Obtaining documented information about outcomes and effective follow-up validations subsequent to grant close out provides more comprehensive information about the relationship between goals and results.

It is recognized that a significant portion of performance measures are attributable to the programs administered by Pennsylvania Local Development District (LDDs) and our reviews of these grantees generally disclose documentation supporting outcome reports.

Recommendations

Prior report recommendations included post-closing questionnaires to obtain more complete information about actual outcomes for identified performance measures. Current recommendations included:

- Obtain and report actual outcomes in PARs including results over a multi-year period.
- Utilize post-closing questionnaires and a validation sample to obtain additional outcomes based on identification of specific sources of results.
- Eliminate “results achieved” terminology where estimates are used to reach conclusions.
- Notify grantees to obtain and retain reported information about performance measure outcomes, including outcomes subsequent to grant closing.

ARC Comments

ARC comments are provided as Appendix A. We concur with the actions noted to improve the performance measurement process. Actions noted to increase identification of actual results included additional sampling and use of staff to determine project outcomes, revise PAR language to distinguish between outcomes that have been achieved and those that are in the process of being achieved and notification to grantee about records retention requirements.

Additional OIG Comments

OIG comments pertain to additional actions to further improve identification and reporting of performance measures outcomes.

Use of a brief post closeout questionnaire particularly to grantees not reporting actual results at time of grant closing or reporting significantly different actual than projected/estimated results remains a primary recommendation. Such action is considered the most effective and efficient method to obtain additional performance measure results, including source of results documentation, achieved during the three year period after grant closeout. This would provide more complete information than sampling particularly with

respect to important measurements such as job creation, job retention, leveraged private investment and businesses created for which definitive information is often not available at grant closing or project completion.

Inclusion of identified actual results in annual Performance and Accountability (PAR) reports.

Since final Basic Agency Monitoring Reports (BAMR) are generally submitted shortly after project completion these reports do not include outcomes subsequent to project completion. Our position is that since ARC provides grant funding in the absence of Basic Agency post grant closing follow-up ARC has the authority and obligation to obtain performance measure outcomes directly from the grantee.

Verification and validation actions by ARC staff should include identification of sources contributing to report actual outcomes such as entities increasing and retaining jobs, providing leveraged private investments and businesses created.

Notification to grantee about records retention include language such as retention of performance measure documented results for three years after grant closeout.