



BRIDGING COST, PERFORMANCE AND EVIDENCE



Building on Insights from the PIO-CFO Summit

May 2018



Acknowledgements

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About the Authors

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AGA is the member organization financial professionals supporting government. We lead and encourage change that benefits our field and all citizens. Our networking events, professional certification, ongoing education and publications help members build their skills and advance their careers. AGA engages all who impact financial resources – including those in budget, HR, IT, acquisition, performance evaluation and reporting, grants management and other disciplines.



The American Evaluation Association is a professional association of evaluators devoted to the application and exploration of program evaluation, personnel evaluation, technology, and many other forms of evaluation. Evaluation involves assessing the strengths and weaknesses of programs, policies, personnel, products, and organizations to improve their effectiveness.



On May 1, 2018, three important communities operating within federal agencies came together to share insights:

- The financial management community, including chief financial officers (CFOs);
- The performance community, including performance improvement officers (PIOs);
- The evidence community, including officials from research, statistical, and chief evaluation offices.

The event, called the PIO/CFO Summit, was co-hosted by the Association of Government Accountants (AGA) and the American Evaluation Association (AEA). A convening like this may not seem surprising, but in fact these three communities of practice intersect too rarely, especially to identify synergies among their work.¹ The summit was the first such convening in recent memory that brought together the financial management, performance, and evidence communities in dialogue, underscoring the importance of the conversation.

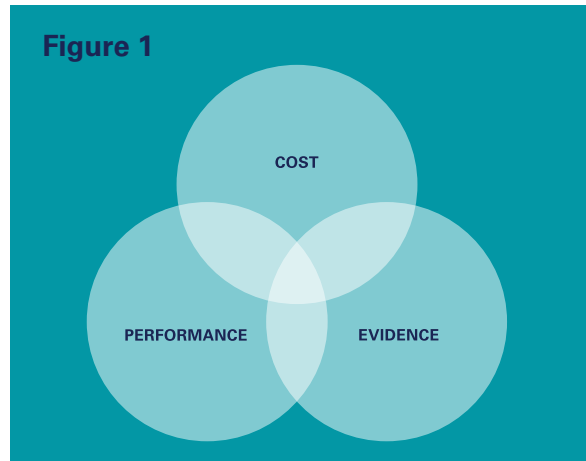
This paper draws on insights from the summit to explore the different perspectives and value each community brings. The first section provides a short, high-level background on each of the three communities, including the reasons why they often work on separate tracks despite overlapping areas of interest. The second section provides suggestions for how the federal government can strengthen collaboration among them and create stronger connections between their work.

One of the features of the summit was the opportunity to submit and rank questions in real time from the audience. Among the highest-rated questions were:

- How do we broaden from a purely budget perspective (“Did we spend appropriately?”) to an evaluation perspective (“What did we get for what we spent?”).
- Why are evidence-based decisions the exception rather than the rule?
- How can the White House Office of Management and Budget (OMB) help agencies know what administrative data exists within and across agencies to facilitate their use?
- What steps can we take to further institutionalize a focus on results and evaluation?

These questions underscore the shared interest among the different communities in strengthening the focus on results and cost-effectiveness.

Why is strengthening these connections important? Because when the financial management, performance, and evidence communities work together to tackle important agency or cross-agency challenges and opportunities, **government produces better results, often at lower cost**. That, in turn, means Americans receive better services, more effective programs and policies, and a higher return on investment from their tax dollars. Just as important, more-effective government helps restore trust between the American people and their government. For all these reasons, we hope the summit, and this paper, fuel continued conversations around ways to strengthen ties among these communities.



Why these communities of practice often exist in silos

(a) Different tools and language

Why do the financial management, performance and evidence communities within agencies tend to work separately from each other? An important reason is that they each use different tools or lenses to carry out their work. For example, consider these questions:

- Is this program (or policy) working or not?
- And what information do decision makers, program managers and the public need to understand how this program is working? The three communities tend to prioritize different metrics to answer questions like these.
- **For the financial management community, including CFOs, the key metrics are, of course, financial:**



Are programs spending appropriately and according to program and accounting rules?

A main focus is helping agencies understand and manage their revenue and costs, including accounting for spending and setting their budgets. Another important goal is being transparent about revenue and spending with decision makers and the public. For example, a focus of the financial community has been on implementing the Digital Accountability and Transparency Act of 2014 (DATA Act), a law that aims to make information on federal expenditures more easily accessible and transparent to citizens and policymakers.

- **For the performance community, including PIOs, the key metrics tend to be outputs and outcomes:**

What did this program achieve? The emphasis here is on selecting performance metrics that are useful to agency leaders and other decision-makers, tracking those metrics, and then using that information to understand and improve performance.² Of course, performance information can include information about costs—“inputs” in the language of performance management. But these tend not to be the focus of most performance management systems in government. Just as in the evidence community, discussed next, there is plenty of room for a stronger focus on how cost-effective programs and policies are and how to improve cost-effectiveness.

- **For the evidence community, such as agency chief evaluation officers, a key metric is impact:**
What did this program achieve above and beyond the status quo? Providing credible answers to this cause-and-effect question is the domain of rigorous impact evaluation, including randomized controlled trials and other approaches.³ It involves understanding “the counterfactual,” meaning the control group or set of conditions that would have existed without the program. For example, if 85 percent of students in a higher-education initiative graduated on time, was the program effective? A credible evaluation would need to determine what fraction of students would have graduated on time without the program—or without a new version of the program being tested, depending on the research question. Program evaluation is useful for asking “Does this program work?” or “Does this program work better than other versions?” Without information on costs, however, it cannot answer another key question: “Is it cost-effective?” To answer that, program evaluations need to include cost-benefit analyses or cost-effectiveness analyses.⁴ Too often today, federal evaluations are not required, or funded,

to include information about costs.

The different tools used by these communities—budgeting and financial transparency, performance measurement and management, and program evaluation—mean that experts within these domains may use similar terms but with different meanings. For example, saying that a program “works” or is “cost-effective” may have different meanings depending on whether you are speaking to a financial management, performance, or evaluation expert. When speaking about costs, the financial management or performance communities might focus on overall costs or cost per unit. The evaluation community would likely think of cost relative to impact. Understanding these differences is an important step in building bridges across these communities.

(b) How structure and laws reinforce silos

Why do financial management, performance, and evidence typically exist in silos within agencies? A legitimate answer is, “Because they exist in silos at OMB.” The Office of Management and Budget is a powerful organization, overseeing the budget process and management issues for the president. It also issues frequent directives to agencies around those budget and management processes and issues. Notably, OMB has separate offices for financial management (the Office of Federal Financial Management), performance (the Office of Performance and Personnel Management) and evidence (the Evidence Team). Is it surprising, then, that agencies would typically mirror the same fragmented structure?

Having separate offices at OMB is not, in itself, a bad thing. But it does underscore the influence that OMB has over agency structure and, we would argue, the responsibility OMB has to try to build bridges across these divides. Simply put, if we want to see more cooperation and synergy within agencies across issues of cost, performance, and evidence, OMB should exemplify that cooperation and model and reinforce it to agencies.

Congress also plays a role in creating these silos. In particular, legislation that focuses on the domain of financial management, performance, or evidence rarely has explicit ties to the others. The DATA Act, for example, is designed to increase the transparency of government spending, but it creates no explicit incentives for agencies to work with evaluation staff to better understand the cost-effectiveness of their programs or identify priority areas for boosting cost-effectiveness. It is not surprising, then, that (based on our experience) when evidence or evaluation experts come together at conferences or meetings, the DATA Act is not a topic of discussion, even though it is likely to be one of several important issues in a similar gathering of CFOs.



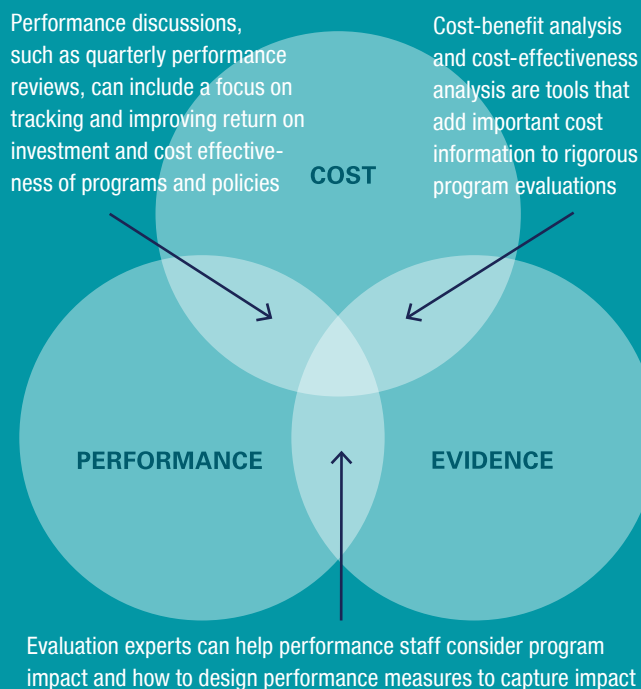
Another example is the Government Performance and Results Act (GPRA) or its successor, the GPRA Modernization Act. That legislation requires most federal agencies to participate in certain performance measurement and management activities, such as setting goals, reporting performance, and holding quarterly performance reviews. These requirements ensure a minimum or floor of performance-focused activity in these agencies, which is important and useful. However, the law creates few explicit links to the evidence community—in other words, to the concept of impact. A few agencies have proactively tried to create those links, such as the Department of Labor's tradition (at least in recent years) of having the chief evaluation officer participate in quarterly performance review meetings, creating a bridge between evidence and performance efforts. Even so, the implementation of the GPRA Modernization Act has largely been by agency performance staff, with little connection to evaluation staff.

Identifying synergies between communities

While the financial management, performance, and evidence communities often operate in separate lanes in government, there are important areas of overlapping interests and approaches that can benefit all of them and, in doing so, help federal agencies improve their results. Figure 1 shows some of those opportunities for synergy. They include:

- **Cost and performance:** Integrating cost information into performance management discussions to help decision-makers understand trends in costs and cost-effectiveness and highlight areas for improvement.
- **Cost and evidence:** Inclusion of cost information, such as cost-benefit analysis, in rigorous program evaluations to provide decision-makers with credible information about return on investment.
- **Performance and evidence:** Cooperation between evidence/evaluation staff and performance staff to ensure that performance management discussions (and systems) are informed by estimates of program impact—the changes that can be attributed to a particular intervention, whether a project, program or policy—not just outputs and outcomes.

Figure 2: Areas of synergy among issues of cost, performance and evidence



Ways to better integrate cost, performance and evidence

What steps can federal agencies take to better integrate the efforts of the financial management, performance, and evidence communities and, in doing so, better achieve their agency missions? Six suggestions emerged from the discussion at the summit.

- 1) **Identify your agency's most important problems or opportunities.** When agency leaders are clear with their staffs about what the most important organizational challenges or opportunities are, it provides a focal point and motivation for different parts of the organization to work together. Those challenges might relate to improving the results of a particular program or set of programs, or addressing a new situation that citizens are facing, or achieving important goals while meeting budget realities. Whatever



the challenge, staff with a primary focus on fiscal issues, performance, and evidence have different lenses through which to diagnose and tackle those challenges. Working together, they can find synergies in their approaches—synergies like the ones identified in Figure 2. Moreover, organizational leaders should set expectations that these offices should be working together, including assessing staff performance by how effective they are at collaborating and communicating across these communities.

- 2) **Use new evidence-based policy requirements as an opportunity to bridge silos.** Legislation is currently being discussed, and likely to become law, that puts some of the recommendations of the bipartisan Commission on Evidence-Based Policymaking into law. One of those recommendations is that every federal agency create a “learning agenda”—a document that identifies high-priority research questions for the agency to ensure that evidence and evaluation resources are targeted to the most important issues. As federal agencies adopt learning agendas, either on their own or because the requirement becomes law, it is a valuable opportunity to bring together the PIO, CFO, and evaluation experts (such as chief evaluation officers) to help create the agenda. Their combined perspectives will ensure that the learning agenda considers issues of impact, performance, and cost. That, in turn, will lead to a more useful evidence-building strategy for the agency.
- 3) **Include the chief evaluation officer (or other senior evidence person) and CFO in agency quarterly performance reviews.** This recommendation is based on the experience of the Department of Labor, discussed previously, in which the chief evaluation officer participated in agency performance reviews run by the deputy secretary. Doing so created a bridge between performance and evidence efforts within the department. One recommendation is to also invite the CFO to these meetings to create another bridge. Having these officials in the meetings increases the likelihood that performance discussions are informed by issues of impact and cost.
- 4) **Advice for deputy secretaries:** Embrace your chief operating officer role. One of the best ways for agencies to overcome silos is for a deputy secretary to be a strong COO.⁵ That means taking responsibility for agencies’ outcomes and operational excellence. It also means playing a “quarterback” role by corralling the various “chiefs” within the department—for finance, performance, and evidence, but also for data, acquisition, and information—into a coordinated approach. That coordination is helpful to avoid a tug of war among chiefs, each with requirements cascading down from OMB. And this coordination will be even more helpful in the near future, since legislation on the horizon that implements some of the key recommendations of the Commission on Evidence-Based Policymaking requires agencies to identify chief evaluation officers and chief data officers. These new roles will be more effective if their work is coordinated with others, including PIOs and CFOs.
- 5) **Encourage cost-efficient evaluation methods.** The discussion about costs in this paper has been about program and agency costs. But another way to bridge the issue of cost and evidence is a very direct one: finding ways to lower the cost of program evaluations.⁶ That includes making greater use of data that agencies already collect, known as administrative data or program data. When these data are accurate, applicable to important questions about program efficacy, and accessible to researchers conducting evaluations, they can eliminate the need for more expensive data-collection methods, such as collecting survey data from program participants. Another strategy for low-cost evaluation is to embed rigorous evaluations into existing programs, as opposed to launching new demonstration programs. This approach often involves little or no additional program costs and sometimes only modest research costs.
- 6) **Learn from other agencies.** Some agencies have made important strides in recent years to not only prioritize the use of information related to evidence, performance, and cost but also to help integrate efforts around those topics to ensure that decision-makers benefit from the value of these different lenses. Spending time hearing directly from these agencies can be very helpful for gaining insights that you can take back to your own agency. One agency highlighted at the summit was the Small Business Administration (SBA). Tim Gribben, the CFO and associate administrator for performance management, described how the SBA launched an evaluation office and a chief data officer role within the CFO’s office. SBA also created an acquisition vehicle for program evaluation that is useful to incentivize bureaus to focus on projects that use cost-effective data-collection methods. Moreover, the SBA publishes a learning agenda and makes it a priority to act on the results of the evidence the bureaus produce.



Conclusion

The PIO/CFO Summit demonstrated the value of dialogue between the financial management, performance, and evidence communities. It sparked a too-rare conversation about strengthening connections among these communities and identifying synergies. Even so, it was just a start. More progress will require being open about the differences among communities, including the different “lenses,” tools, and priorities. At the same time, it will require a clearer understanding of the value that comes when experts in costs and accounting, performance, and evidence work together to tackle important agency challenges. More real-life examples that demonstrate that value would help as well. These examples, shared broadly across these communities, can demonstrate the results that can be achieved by collaboration. The PIO/CFO summit sparked the conversation and created momentum. It is now up to the public-management community, inside government and out, to work toward a vision in which separate silos are replaced by interconnected strategies to help agencies succeed for the benefit of the American people.

Appendix: 2018 PIO/CFO Summit panels

For a full description of the program, see <https://www.agacgfm.org/PIOCFO/Program-Schedule.aspx>. Our thanks to panelists for sharing their views, which helped inform this brief. The views expressed here do not necessarily reflect those of the panelists.

Turning the Evidence-Based Policy Making Commission Recommendations into Action

- Nick Hart, director, Evidence-Based Policymaking Initiative, Bipartisan Policy Center
- John Righter, deputy Democratic staff director, Senate Committee on Health, Education, Labor and Pensions
- Ted McCann, assistant to the speaker for policy, Office of the Speaker
- Moderator: Andrew Feldman, director, Grant Thornton LLP

Harnessing Data to Improve Agency Results

- Nancy Potok, chief statistician of the United States and chief of statistical policy, OMB
- John Thompson, former director, U.S. Census Bureau
- Moderators: Jansen Sauvageau, senior vice president, PNC Federal Services, and Kathy Stack, former Evidence Team lead, OMB

The Role of Evidence in the President’s Management Agenda

- Peter Warren, associate director, OMB
- Robert Shea, former associate director, OMB, and principal, Grant Thornton LLP

- Tim Gribben, CFO and associate administrator for performance management, SBA
- Moderators: Ann Ebberts, CEO, AGA, and Kathy Newcomer, past president, AEA

Strengthening the Role of Cost Information into Decision-Making

- Gerard Badorrek, chief financial officer, General Services Administration
- Dan Murrin, former partner, EY
- Mark Reger, former deputy controller of the United States, OMB
- Mark Schneider, director of the Institute for Education Sciences, U.S. Department of Education
- Moderator: Chris Spera, former director of research and evaluation, Corporation for National and Community Service, and division vice president, Abt Associates

Endnotes

- 1 Given that issues of cost and performance are also important forms of evidence, aren’t the financial management and performance communities also part of the “evidence community”? In spirit, yes, but in practice these community largely operate distinctly within federal agencies today. That is the starting point for this paper.
- 2 Selecting metrics and tracking them is known as performance measurement. Using that performance information to improve results—whether setting goals or holding quarterly performance meetings or other activities—is known as performance management. Both are building blocks of sound public management.
- 3 Other key metrics for the evidence community can be answered with other types of evaluation, such including process and implementation evaluations.
- 4 Cost-benefit analysis typically compares the cost of a single program to the value of the outcomes it achieves for taxpayers. Cost-effectiveness analysis, on the other hand, considers how much each program costs to achieve the same outcome.
- 5 See Andrew Feldman and Seth Harris, “For High-Performance Government, Deputy Secretaries Need to Act Like Chief Operating Officers.” *Government Executive*, December 19, 2017.
- 6 See Andrew Feldman and Benjamin Castleman, “Agencies Need to Get Savvy About Low-Cost Program Evaluation.” *Government Executive*, March 28, 2017.



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