



July 2, 2003

ASVET MEMORANDUM NO. 03-03

MEMORANDUM FOR: REGIONAL ADMINISTRATORS AND DIRECTOR
FOR VETERANS EMPLOYMENT AND TRAINING

FROM:


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SUBJECT: Pilot of the Veterans Employment and Training Service
(VETS) Performance Management Review System

PURPOSE: This memorandum provides information and guidance on the new VETS Performance Management Review System (VPMRS), and a pilot of this self-assessment system that will be conducted in the summer of 2003. The VPMRS replaces the VETS Management Control Review Self-Assessment system that was piloted in fiscal year 2002.

REFERENCES: Federal Managers' Financial Integrity Act (P.L. 97-255) Government Performance and Results Act (GPRA) (P.L. 103-62); OMB Circular No. 123 Revised (Management Accountability and Control); Inspector General Act (P.L. 95-452, as amended); Chief Financial Officers Act (P.L. 101-576); President's Management Agenda (FY 2002 Budget); Program Assessment Rating Tool (PART), Office of Management and Budget; ASVET Memorandum 01-02; ASVET Memorandum 03-02.

BACKGROUND: ASVET Memorandum 01-02 spelled out the mandates for VETS to establish and maintain a system of management controls and identifies the responsibility to provide reasonable assurances to the Secretary of Labor that this system is effective. ASVET Memorandum 03-02 announced the pilot of a Regional and State Management Control Review Self Assessment Pilot, which was conducted in the summer of 2002 for FY 2002.

Results from the FY 2002 Regional and State Management Control Review Self Assessment Pilot were positive. For the first time, all VETS Regional Administrators and Directors for Veterans Employment and Training completed a review for the same period of time. Information obtained from this pilot was included in the FY 2002 FMFIA assurance letter to the Secretary of Labor in November 2002.

A VETS Management Control Review Task Group reviewed and analyzed the process and results of the pilot. The task group, composed of National, Regional, and State managers and staff, was charged with improving the process for FY 2003. Specifically, the task group was asked to:

- 1) Identify and correct technical deficiencies with the review instruments.
- 2) Provide increased guidance and definitions for the instruments
- 3) Continue the process of encouraging managers to be forthcoming by utilizing a self-assessment approach that will not be part of the performance evaluation process
- 4) Continue to identify specific problem areas and corrective action steps in any new review instruments
- 5) Continue to identify best practices, and outside technical assistance needs in any new review instruments
- 6) Expand the scope of the instruments to encompass reviews of additional management mandates (President's Management Agenda and OMB's Program Assessment Rating Tool)

In response, the task group developed a review framework that builds on the lessons learned from the FY 2002 pilot while at the same time expanding the scope of the review instrument to address VETS entire management mandates. The expanded review framework is entitled the VETS Performance Management Review System (VPMRS).

In developing the VPMRS, the task group recognized that the emphasis placed by the agency in recent years on attaining performance outcomes has created a de facto VETS Performance Management System (VPMS) that the VPMRS directly relates to. As an initial step towards institutionalizing this overarching strategic management framework, both the VPMS and the VPMRS were introduced to VETS staff at the recent VETS National Conference in Denver, Colorado.

INFORMATION: The VPMS is a strategic management framework that focuses on achieving performance outcomes related to VETS mission, and meeting government-wide management mandates, while ensuring fiscal integrity and minimizing institutional risk factors in the stewardship of federal funds and human capital.

Consistent with the mandates of the GPR.A and the President's Management Agenda, the VPMS centerpiece is the VETS Performance Budget, which integrates VETS performance goals with the budget and identifies the key strategies to achieve results. Integral measurement and assessment tools of the VPMS are the revitalized VETS Operations and Program Activity Report (VOPAR) and manager's performance standards. The VPMRS is an important part of the VPMS, and serves to review and report on the entire management and internal control system utilized by VETS to

determine and mitigate risk factors. Manager's Individual performance standards must be written to reflect their accountability for ensuring financial integrity and for achieving performance results.

Performance management is the latest evolution of a continuous process of federal government business reform. Business reform in government is driven at both the executive and congressional branch levels. There are two primary components of performance management: financial integrity and performance result. These may be demonstrated through VETS' implementation of internal controls, implementation of President's Management initiatives, and its monitoring of program results.

For this agency, the public expression of financial integrity at the federal level is the annual assurance letter to the Department Secretary and the Secretary's assurance letter to the President's Office of Management and Budget. These assurance letters are a requirement of the 1982 Financial Managers' Financial Integrity Act.

Financial integrity in VETS and other federal organizations is demonstrated through effective internal controls and processes of risk management. Effective internal control helps manage change to cope with shifting environments and evolving demands and priorities. As programs change and as agencies strive to improve operational processes and implement new technological developments, management must continually assess and evaluate its internal controls to assure that the control activities used are effective and updated when necessary.

In short, internal controls are an integral component of an organization's management that provides reasonable assurance that the following objectives are achieved:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and,
- Compliance with applicable laws and regulations

Risk is the probability of harm or loss as the result of some event, such as the theft of assets, misuse of funds, or failure to do a particular task. Risk management is a set of activities that identifies, ranks, and then lessens risks. The Government Accounting Office defines risk management as "... the identification and analysis of relevant risks associated with achieving the objectives, such as those defined strategic and annual performance plans developed under the Government Performance and Results Act, and forming a basis for determining how risks should be managed." Rarely can an agency completely eliminate a particular risk. Internal controls, then, are those activities put into place to manage the identified risks for an organization.

Most internal controls focus on fraud, waste and abuse. Few help an agency deal with threats to its ability to achieve its mission. Threats to mission are far more serious than fraud, waste and abuse, even when very large dollar amounts are involved. An agency may have a few financial problems, but still be able to offer effective service to citizens. By contrast, an agency with negligible financial problems could succumb to a mission threat, with the result that many citizens and even the whole nation may suffer severe consequences. A sound system of internal controls and risk management must alert management to such threats.

The second performance management component is the measurement of performance and associated program ratings. Federal agencies are increasingly expected to demonstrate how their activities contribute to achieving agency or government-wide goals. The Government Performance and Results Act (GPRA) of 1993 required federal agencies to report annually on their progress in achieving agency and program goals. In the spring of 2002, the Office of Management and Budget (OMB) launched an effort as part of the President's Budget and Performance Integration Management Initiative to highlight what is known about program results. Formal effectiveness ratings for 20 percent of federal programs will initially be conducted under the executive budget formulation process for fiscal year 2004. To address the inadequacy of GPRA to affect agencies' accounting for performance in their budget formulations, the Administration has linked performance as an integral part of the budget process. The OMB mechanism for this rating is called the Program Assessment Rating Tool, or PART.

Programs with strong performance will receive higher scores on PART, and those found lacking, lower scores. Accordingly, the VPMRS framework is designed to ensure that we have in place adequate internal controls for assurance of financial integrity. More importantly, it ensures that all of our programs are producing the quality of performance results that will be rated at the level of public value that they truly represent.

A more specific action-oriented direction is also being taken with The President's Management Agenda. The President's Management Agenda is a strategy endorsed by President George W. Bush back in 2001 for improving the management and performance of the federal government. There are six separate initiatives being conducted throughout the federal government in accordance with this Agenda. They are:

- Strategic Management of Human Capital.
- Competitive Sourcing.
- Improved financial performance.
- Expanded electronic government, and
- Budget and Performance Integration
- Faith-based and Community Initiative

Recognizing that strategic planning is a continuous learning process that defines the purpose and direction of VETS and how it will achieve performance results. VETS is now focused on developing methods to monitor and improve the effectiveness of its management controls to ensure that results are achieved.

The VPMRS utilizes the framework and technology of OMB's Excel-based Program Assessment and Rating Tool (PART). The PART initiative is being applied to 267 programs across the federal government. VETS programs will undergo an OMB PART review within the next three years. By adopting the PART framework for its performance management reviews, VETS anticipates being in an improved position for the actual OMB reviews.

The VPMRS has eight separate rating instruments: DVOP LVER, VR&E, TAP, FCJL, HVRP, VWIP, USERRA, and VP. The VPMRS also has an instrument that addresses basic institutional internal controls, consistent with the Federal Managers Financial Integrity Act (FMFIA), and an instrument for the mandates under the President's Management Agenda (PMA). Consistent with our commitment to provide guidance and clarification on questions, a technical assistance guide accompanies the instruments.

These tools represent a performance management-based refinement of last year's management controls self-assessment process that will accomplish two things:

- Assure the financial integrity of our operations and assess risk to mission: and.
- Measure performance results to guide future programming and budgeting decisions.

DVETs and RAVETs are being asked to assess financial and performance integrity in the VPMRS. Many of the questions in the instruments are broad and far-reaching and on first blush may seem to go beyond the reach or control of the RAVET or DVET. It is important that the RAVET and DVET consider the full breadth of the question and realize that they play a part in a larger process and environment. Answers should be made accordingly.

Information collected as part of this effort will be used to determine where improvements can be made and where technical assistance is needed.

Using input from the States on the VPMRS, the Regional and national offices will develop a "State of the Region" letter and the Assistant Secretary's Letter of Assurance to the Secretary of Labor, respectively. These public documents will articulate an assessment of relative assurance regarding both financial integrity and performance results of our agency. It is anticipated that the "State of the Region" letter will be

submitted by the Regional Administrators in October, 2003. Guidance and instructions on the "State of the Region" letter will be forthcoming.

ACTION: The VPMRS will be tested on a pilot basis by the agency for FY 2003. Specific instructions on the pilot, including timeframes, will be sent separately by the Atlanta Regional Lead Center.