National Nuclear Security Administration

TITLE: NNSA PPBE Evaluation Process (Revision 3)

OBJECTIVE:

To institutionalize an annual National Nuclear Security Administration (NNSA) Planning, Programming, Budgeting, and Evaluation (PPBE) Evaluation process to ensure that the NNSA achieves and articulates results by establishing clear, concise, meaningful, and measurable performance baselines, and by conducting credible reviews to compare results against these baselines.

APPLICABILITY:

This policy applies to all NNSA programs (GPRA Units)[1] and includes the evaluation activities associated with PPBE. This policy does not include evaluation activities associated with the management of capital assets (DOE O 413.3) or contractor performance evaluation plans.

BACKGROUND:

- Government Performance and Results Act of 1993 (GPRA): Congress requires Federal programs to strengthen program management, effectiveness, and accountability by focusing on results. Programs must develop strategic plans to set long-term goals, write annual plans to set short-term targets towards achieving long-term goals, and submit annual reports on actual results compared to targets. These measurable and credible long-term goals, short-term targets, and annual results are required to improve budget decisions.
- President's Management Agenda (PMA): The PMA Budget and Performance Integration (BPI) initiative reinforces GPRA and strives to make government more accountable to the public by requiring Federal programs to justify their budget requests by integrating budget and performance data using terms that are clear and meaningful to the public.
- Program Assessment Rating Tool (PART): The Office of Management and Budget (OMB) created PART to assess how well programs are achieving PMA and GPRA objectives by evaluating the quality, clarity, and completeness of performance data and results.
- Department of Energy (DOE) Performance Reports: The DOE requires programs to provide quarterly reports on the progress made towards achieving annual targets. These reports provide senior managers with early warning and corrective actions if an annual target is at risk of being missed.

The NNSA PPBE Evaluation process includes:
- Performance Measures
- Performance Reviews
- Performance Cascade.

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[1] NNSA programs (GPRA Units) are one of the approximately 20 individual NNSA elements that appear separately in the budget (e.g., Directed Stockpile Work)

PERFORMANCE MEASURES

Performance measures explain what a program expects to accomplish for a fixed funding profile over a specific time period. This data links resources to results and is used to inform resource decisions, justify budget requests, improve delivery of products and services, and hold program managers accountable for results. NNSA has established common terms to improve internal communications and integrated criteria to create a single set of performance data.

Common Terms

- Performance Measures: A generic term that refers to external corporate performance data; includes the goal, indicators, endpoint targets, and annual targets.
- Goal: A clear, concise, meaningful, ambitious, and long-term outcome statement that describes the unique contribution the program makes towards achieving the DOE mission.
- Indicators: A set of generic but meaningful units by which progress towards the goal is measured. Indicators should use common qualifiers (e.g., "annual" or "cumulative") to clarify the unit of measure.
- Endpoint Targets: Long-term objectives that are critical steps towards achieving the goal. Each goal should have 3-to-5 endpoint targets written in specific numerical units that can be measured and must include the projected fiscal year that the objective is to be completed. Endpoint targets may be completed before the goal is reached.
- Annual Targets: Specific and auditable annual outcomes and outputs[2] towards achieving the endpoint target measured in the same indicator units as the endpoint target. Annual targets should be a single number per year and must be linked to and substantiated by technical milestones.
- Milestones: Generic term that refers to key internal technical performance data that is required to meet program criteria. Milestones are meaningful to subject matter experts to oversee day-to-day operations aimed at achieving annual targets. Milestones are in validated program baselines, one, two, and three levels of detail below the annual targets, and are contained in published program documentation. They are incorporated into Work Authorizations, Project Work Plans, Program Plans, Implementation Plans, Execution Plans, Personnel Appraisals, and Contractor Performance Evaluation Plans.

Integrated Criteria

- Measure things that are meaningful to achieve long-term outcomes – not just things that are easy to measure.
- Use terms that are clear, concise, and meaningful to the public – do not use acronyms or technical jargon.
- Each program must have only one goal that is one-sentence in length.
- Endpoint-annual-target sets must be in terms that measure progress over time towards achieving the goal.
- Outcome measures should be used in place of output measures whenever possible and input measures should not be used.
- One endpoint-annual-target set must be an efficiency measure that meets OMB standards to measure output produced per input consumed.
- Guidance for updating performance measures will be included in the annual "NNSA Call for Budget Information" issued in June.

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[2] Outcome measures are end states (often outside the programs control) that the program is attempting to affect. Outcomes are the things that the public cares about. Output measures are the goods and services a program produces to affect the outcome. Inputs are the resources that programs consume to produce outputs and outcomes.
[3] Outcome measures are end states (often outside the programs control) that the program is attempting to affect. Outcomes are the things that the public cares about. Output measures are the goods and services a program produces to affect the outcome. Inputs are the resources that programs consume to produce outputs and outcomes.

- Unless the program undergoes a major change, goal and target text should not change.
- Only the annual target numbers and endpoint target dates may need updating based on actual vs. planned prior year results and actual vs. planned budget allocations.
- Consistency in performance measures from year-to-year allows multi-year performance trends to be identified and used to inform future resource decisions.
- Budgets must be linked to annual targets so the marginal impacts of funding decisions can be assessed.
- The format, style, and text of NNSA performance measures should be consistent with the example below.

NNSA PERFORMANCE MEASURES EXAMPLE

PROGRAM: ELIMINATION OF WEAPONS-GRADE PLUTONIUM PRODUCTION (EWGPP)

GOAL: Permanently cease Russia's production of weapons-grade plutonium by replacing their three existing plutonium-production reactors with fossil-fuel plants to provide alternate sources of heat and electricity allowing the plutonium reactors to be shutdown.

INDICATORS	ANNUAL RESULTS AND TARGETS									ENDPOINT TARGETS
	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	
Cumulative percentage of progress towards refurbishing a fossil-fuel plant in Seversk allowing for the shutdown of two weapons-grade plutonium production reactors (Long-term Output).	R: 1% T: 1%	R: 13.9% T: 16%	R: 25.7% T: 32%	T: 55%	T: 79%	T: 93%	T: 100%	N/A	N/A	By 2009, complete refurbishment of a fossil-fuel plant in Seversk.
Annual Cost Performance Index (CPI) for Seversk construction as measured by the ratio of budgeted costs of work performed to actual costs of work performed (Efficiency)	R: 1.00 T: 1.00	R: 1.02 T: 1.00	R: 1.01 T: 1.00	T: 1.00	T: 1.00	T: 1.00	T: 1.00	N/A	N/A	Annually, completed work at or below budgeted cost (CPI greater than 1.00 indicates under budget).
Cumulative percentage of progress towards constructing a fossil-fuel plant in Zheleznogorsk allowing for the shutdown of one weapons-grade plutonium production reactor (Long-term Output).	R: 0.5% T: 0.5%	R: 3% T: 3%	R: 4.9% T: 4.8%	T: 9.6%	T: 33.6%	T: 62.6%	T: 96.4%	T: 98%	T: 100%	By 2011, complete construction of a fossil-fuel plant in Zheleznogorsk.
Cumulative percentage of Russian weapons-grade plutonium production capability eliminated (Russia's 2003 baseline is 0.4 MT/year per reactor or 1.2 MT/yr total) (Long-term Outcome)	N/A	N/A	N/A	N/A	N/A	N/A	T: 67%	T: 67%	T: 67%	By 2011, eliminate 100% of Russia's capability to produce weapons-grade plutonium.

PERFORMANCE REVIEWS

The NNSA validates results, ensures planning integrity, informs resource decisions, and holds managers accountable by conducting credible, tiered, and linked performance reviews.

<u>PART Reviews</u>:
The OMB created PART to assess performance measures, results, and management plans/controls. The OMB conducts PART reviews of each program every five to six years unless there is a pressing reason to complete it more often. The list of NNSA programs selected by OMB will be included in the annual "NNSA Program and Fiscal Guidance" issued in February. Programs selected must complete their PART and provide a copy to the NNSA PPBE Office before the NNSA Program Review Council meeting in April. PART instructions can be found at <u>www.omb.gov/part</u>.

In addition, all programs not selected for an OMB review must conduct an annual PART self-assessment. Managers rate their programs and provide this data to their Deputy/Associate Administrator for approval. PART self-assessments must be completed in time for the program's annual Administrator Program Review and a copy provided to the NNSA PPBE Office.

<u>Administrator's Program Reviews</u>:
The Administrator will review each NNSA program annually. The focus of these reviews is to validate the progress programs are making towards achieving annual and endpoint targets by highlighting progress on key milestones and to identify issues that might prevent programs from achieving their targets. Programs must present their most recent annual PART self-assessment results. Actions resulting from these reviews will be recorded and tracked to completion. The Administrator's Program Review schedule is located at <u>http://hq.na.gov/PPBE/</u>

<u>DOE Performance Reports</u>:
The DOE requires programs to provide quarterly reports on the progress made towards achieving annual targets. These reports provide senior managers with early warning and corrective actions if an annual target is at risk of being missed. The DOE requires two reports – the Joule report and the Program Management Self-Assessment (PMSA) report. Guidance for both of these reports is included in the quarterly "NNSA Guidance for Joule and Program Management Self-Assessment Reporting" normally issued one month prior to DOE due dates.

Joule reporting is at the annual target level. Programs assess the projected year-end results for each annual target using the DOE Joule rating system where <u>Green</u> requires 100% or greater of the annual target to be achieved, <u>Yellow</u> requires 80% to less than 100% of the annual target to be achieved, and <u>Red</u> requires less than 80% of the annual target to be achieved. For all progress, programs must report the specific result achieved and describe the significance of the achievement. For <u>Yellow and Red</u> progress, programs must also explain the cause of the at risk annual targets and the action plan for recovery.

PMSA reporting is at the program level. Programs managers must provide color ratings and text for cost performance, schedule performance, and overall performance of their programs. The PMSA uses a more subjective approach that allows the program manager to assess all the factors impacting annual program performance (not just the Joule targets) and to assign a Red-Yellow-Green based on the manager's expert opinion. The PMSA results must be validated by the appropriate Deputy/Associate Administrator.

Programs must document and use consistent internal control procedures to describe the data, formulas, and detailed processes used to determine results. This documentation is required to provide evidence to substantiate the accuracy of reported results to auditors.

<u>Program Manager Reviews</u>:
Program managers must conduct detailed reviews of program, project, and contractor performance at least annually; but quarterly reviews are recommended. The focus of these reviews is to validate progress on milestones leading to achievement of annual targets. The format of these reviews is the responsibility of the cognizant manager. However, this policy requires NNSA program managers to document their detailed review process and findings.

<u>NNSA Annual Performance Report</u>
The NNSA corporate PPBE evaluation cycle culminates each year with the issuance of the "NNSA Annual Performance Report" in February. This report serves as a corporate summary by integrating past performance results from Joule with planned future targets from the budget and an executive analyses of PART scores.

PERFORMANCE CASCADE:
NNSA articulates the unique contribution each target makes towards achieving the DOE mission by linking them in a cascade so resources can be better focused on fulfilling the overall mission. As illustrated in the NNSA Performance Cascade below, internal milestones are linked to endpoint/annual targets that roll into unique NNSA program goals that are aligned to DOE Strategic/General Goals and, ultimately, to the DOE mission.

THE NNSA PERFORMANCE CASCADE
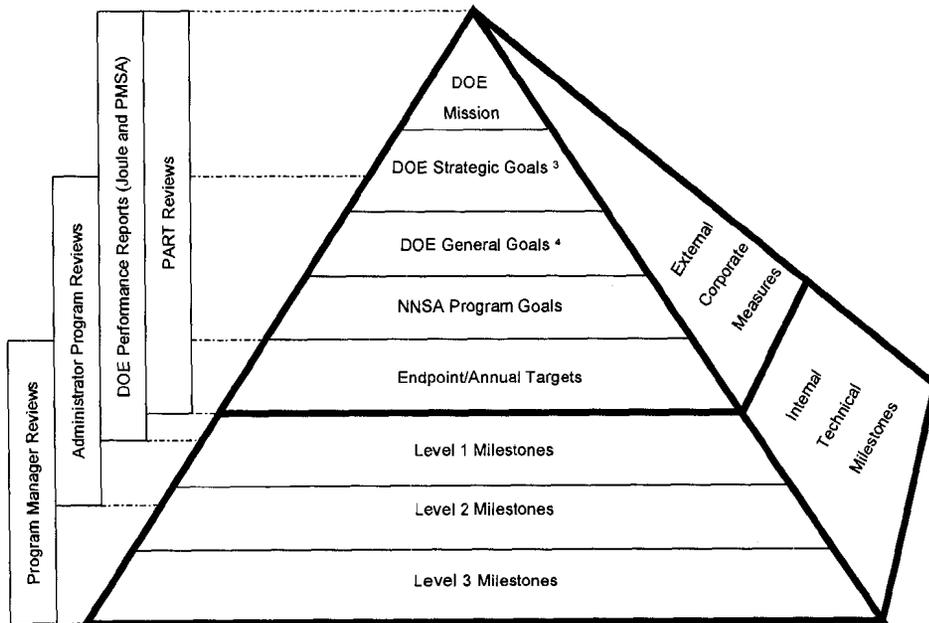
[3] Also called "DOE Strategic Themes"

[4] Also called "DOE Goals"

RESPONSIBILITIES

The Administrator, NNSA, is responsible for:
- Approving overall NNSA corporate performance and performance measures
- Conducting Administrator's Program Reviews
- Approving PARTs prior to their submission to OMB.

The Director, Office of Planning, Programming, Budgeting, and Evaluation is responsible for:
- Managing the overall NNSA PPBE Evaluation process
- Keeping The PPBE Evaluation process documentation current and posting it on the NNSA PPBE intranet at http://hq.na.gov/PPBE/
- Coordinating and issuing the annual Evaluation process-related guidance documents ("NNSA Call for Budget Information", "NNSA Program and Fiscal Guidance", and "NNSA Guidance for Joule and Program Management Self-Assessment Reporting")
- Maintaining the integrated NNSA Performance Cascade
- Maintaining configuration control over the corporate NNSA Performance Measures and publishing them in the budget
- Providing PART feedback advice to Headquarters NNSA elements
- Tracking actions resulting from the Administrator's Program Reviews
- Consolidating and transmitting the NNSA quarterly Joule and Program Management Self-Assessment reports to DOE
- Developing, coordinating, and issuing the "NNSA Annual Performance Report"
- Providing training to NNSA staff on the elements of the NNSA PPBE Evaluation process

Headquarters NNSA program elements (Defense Programs, Defense Nuclear Nonproliferation, Naval Reactors, Emergency Operations, Infrastructure and Environment, Defense Nuclear Security, and Management and Administration) will be responsible for:
- Being familiar with the requirements of the NNSA PPBE Evaluation process, including current guidance available on the NNSA PPBE intranet at http://hq.na.gov/PPBE/
- Generating products that fulfill NNSA PPBE Evaluation process requirements (quality performance measures, credible PART self-assessments and Program Managers Reviews, and timely and accurate Joule Reports and Program Management Self-Assessments).
- Documenting and using consistent internal control procedures that provide evidence to substantiate the accuracy of reported results to auditors.

Other NNSA entities (e.g., Service Center and Site Offices):
- May be asked to participate at various stages of the process as specified in this document.

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