

Performance budgeting for federal agencies

Tracking the cost of results

Overview

Federal agencies are accountable for the results of their programs and activities. They must demonstrate how their expenditures specifically help them achieve their goals.

The problem is that legacy systems and paper-based processes often lag well behind expenditures and are not designed to integrate performance data.

IBM Cognos performance budgeting solutions offer timely visibility into where an agency has been and, more importantly, where it is heading in relation to its goals and forecasts.

The U.S. Office of Management and Budget (OMB) places a series of financial management goals on federal managers. These performance goals are designed to:

- Determine whether the “people’s money” is being properly accounted for and wisely spent
- Increase the transparency of the federal government’s fiscal health
- Provide reliable information for managing day-to-day government operations more efficiently.

The means to these goals has commonly become known as “performance budgeting”—the integration of financial planning with performance management.

Herein lies the challenge. Federal agencies are accountable for the results of their programs and activities. They must demonstrate how their expenditures specifically help them achieve their goals.

The problem is that legacy systems and paper-based processes often lag well behind expenditures and are not designed to integrate performance data. This makes it almost impossible to answer four key questions:

- *How much did we spend?*
- *Where did we spend it?*
- *When did we spend it? and*
- *How well did we spend it?*

If they are to comply with federal requirements, agencies must be able to answer those four complex questions. They need accurate financial and performance information—if not in real time, then on an accelerated periodic basis.

Performance budgeting solutions from Cognos offer timely visibility into where an agency has been and, more importantly, where it is heading in relation to its goals and forecasts.

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With a clear view of what is happening, agency executives can adjust their strategies, plans, targets and resource allocations across the organization. They can anticipate problems, seize opportunities and act in time to keep the agency on course.

Three-step approach

The IBM Cognos solution lets agencies achieve financial accountability for their performance. We help federal organizations of all sizes realize performance budgeting improvements quickly, with low risk and on an enterprise scale. We take a three-pronged approach to performance budgeting:

- Planning
- Collaborative workflow management
- Scorecarding, reporting and analytics

Through these steps, we deliver shorter cycles for planning, budgeting and forecasting. We enable faster, more reliable close processes for financial and operating statements. We improve management control over financial and operational performance.

A new way to plan

IBM integrates operational and financial planning to give agencies immediate visibility into resource requirements and future performance. Agencies are now using IBM Cognos 8 Planning to:

- Translate well-founded strategy into discrete plans, budgets and forecasts
- Align their targets across the organization and collaborate on budgeting
- Assess actual fiscal performance and extrapolate realistic “what-if” scenarios
- Apply a modular approach, developing subcomponents in parallel and linking them into the final budget
- Produce accurate budgets more quickly
- Adjust rapidly and proactively as situations change

Fast, accurate planning through collaborative workflow management

Speed is critical but accuracy cannot be compromised. IBM provides a complete solution that meets federal requirements while laying the foundation for rigorous governance.

Agencies are already using IBM Cognos 8 Planning to:

- Eliminate complexity and ensure that aggregate budgetary and financial information is delivered on time and error free
- Reduce risk and increase transparency by eliminating manual processes and automating aggregates and rollups within a finance-owned environment
- Save time by using their current expertise and familiar tools such as Microsoft® Excel®
- Configure aggregation capabilities to business rules and processes without custom development
- Accelerate the pace of operations without sacrificing integrity

Analysis, scorecards, dashboards and reports

Agencies collect massive amounts of data every day, but the sheer volume of information can cloud its usefulness and diminish its value. IBM connects disparate data, not only from different systems but in different formats and with different definitions. We allow agencies to create queries and drill down into data. We enable multi-

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dimensional analysis with unlimited arranging and manipulation. Finally IBM translates results into graphical scorecards, dashboards and reports users can readily understand and share. Agencies are now using IBM Cognos solutions to:

- Obtain answers they need at an appropriate level of detail
- Link targets to scorecards that visually illustrate performance
- Meet the information needs of all stakeholders, including employees, program managers, agency executives, OMB and Congress
- Establish and work from a single version of the truth
- Communicate strategic priorities
- Make their operations more agile
- Protect their existing investments in systems and applications

Customer success: U.S. Fish and Wildlife Service

The U.S. Fish and Wildlife Service (FWS) manages nearly 550 National Wildlife Refuges, operates 70 fish hatcheries and administers the Endangered Species Act.

FWS is a decentralized agency with nearly 10,000 employees and a \$2 billion budget. FWS recently implemented an activity-based costing (ABC) cost and performance framework based on Cognos software. It is using this system to:

- Quantify the actual costs of performing its work in the field
- Determine the cost of supporting that work with its business operations
- Streamline its business operations
- Encourage the development of a performance-based culture.

In its legacy approach, the FWS formulated their budget by program. This meant that different elements of an operational activity (such as restoring wetlands) were siloed from a financial perspective. Under the new system, the budget is formulated according to desired outcomes and results.

Common goals and measures can be used to assess cost and performance across functions (and

FWS organizations). The system lets FWS identify cross-programmatic success factors and goals, roll them up into departmental strategic plans and integrate those plans as the overall mission of the service.

All of these elements (factors, goals, plans and missions) are defined in terms of overall outcomes, performance metrics and costs. As field activities and business operations proceed, actual performance and costs are measured against plan. Managers can detect variations and determine their cause in time to steer programs back on course.

“We use all of these IBM Cognos tools to collect and measure, to look at costs and performance and to build pre-defined reports for the programs and budget submission,” said Bradley Fearn, Program Analyst for the Fish and Wildlife Service. “The IBM Cognos suite allows us to use all the information we’ve collected with the system.”

About IBM Cognos BI and Performance Management:

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

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