



**DEPARTMENT
of HEALTH
and HUMAN
SERVICES**

Program Support Center

FY 2011 Online Performance Appendix

**Department of Health and Human Services
Program Support Center
FY 2011 Online Performance Appendix**

Table of Contents

Introduction.....	3
Transmittal Letter from PSC Director	4
Summary of Targets and Results Table.....	5
Performance Detail	7
PSC Online Performance Appendix Performance Measures Table.....	7
Performance Narrative	12
Overview of PSC Performance.....	12
Detail of Performance Analysis.....	23
OPDIV/STAFFDIV-level Information.....	41
Link to HHS Strategic Plan	41
Summary of Findings/Recommendations from Completed Program Evaluations ..	43
Disclosure of Assistance by Non-Federal Parties.....	43

Introduction

The FY 2011 Online Performance Appendix is one of several documents that fulfill the Department of Health and Human Services's (HHS) performance planning and reporting requirements. HHS achieves full compliance with the Government Performance and Results Act of 1993 and Office of Management and Budget Circulars A-11 and A-136 through the HHS agencies's FY 2011 Congressional Justifications and Online Performance Appendices, the Agency Financial Report, and the Summary of Performance and Financial Information. These documents are available at <http://www.hhs.gov/budget/>.

The FY 2011 Congressional Justifications and accompanying Online Performance Appendices contain the updated FY 2009 Annual Performance Report and FY 2011 Annual Performance Plan. The Agency Financial Report provides fiscal and high-level performance results. The HHS Citizens' Report summarizes key past and planned performance and financial information.



Transmittal Letter from PSC Director

I am pleased to transmit the Program Support Center's (PSC) fiscal year (FY) 2011 Online Performance Appendix. The information delivered in this report is in compliance with guidance provided by the Office of Management and Budget. This report also meets the requirements of the Government Performance and Results Act. In this report, our performance is assessed against the targets in our FY 2011 Congressional Justifications and accompanying Online Performance Appendix.

Data used to report progress are reliable and as complete as possible. Inherent to the nature of our work is a time lag between when we take action as the shared services provider for HHS and when we can measure result from that action. Therefore, for the reporting year, there will be a time lag in providing results data for two of our performance measures.

Paul S. Bartley
Deputy Assistant Secretary for Program Support

Summary of Targets and Results Table

Fiscal Year	Total Targets	Targets with Results Reported	Percent of Targets with Results Reported	Total Targets Met	Percent of Targets Met
2006	8	8	100%	3	38%
2007	10	10	100%	6	60%
2008	10	10	100%	7	70%
2009	9	8	80%	4	50%
2010	10	0	0%	0	0%
2011	10	0	0%	0	0%

The Summary of Targets and Results Table provides an overview of all established targets for each corresponding fiscal year. It is a summary of the number of targets PSC reports under the Government Performance and Results Act (GPRA) and the progress it has made in achieving its targets. The percentage of “Percent of Targets with Results Reported” reflects the number of targets for which results are reported for the fiscal year divided by the total number of targets for that same period. The “Percent of Targets Met” reflects the number of targets met for the fiscal year divided by the number of results reported.¹

The overall number of performance measures has been reduced by 77 percent; from 44 measures in FY 2002 to 10 in FY 2009. Performance measures for FY 2010 are reduced to nine (9) by the discontinuation of Intra-service Costs (Performance Measure 3.3). The discontinuation of the Intra-service Costs performance measure will help PSC to direct resources in business growth and focus on providing core services that external customers need. Two performance measures related to business growth and increased market share are under development for FY 2011 as indicated in the next paragraph. using a logic model in its performance management approach, PSC has defined overall goals of improving quality and cost savings to the Department. These are crucial for PSC to successfully achieve its mission and will continue to be tracked through FY 2011.

The net number of performance measures for FY 2011 is 10. Added are: Increase in Revenue for Top 20 Cost Centers (Performance Measure 2.2) and Increase in Business from Customers outside of HHS (Performance Measure 2.3). Participate in Department-wide consolidations (Performance Measure 3.1) is discontinued. The FY 2011 performance measures support the strategic objectives of the PSC Balanced Scorecard framework based on four perspectives: 1) Our Customers and Stakeholders; 2) Our internal business processes; 3) Our Employees; and 4) Our financial management

¹ The “Total Targets Met” column for FY 2008 increased from 6 to 7 because of the availability of the FY 2008 Performance Measure 3.6 (Financial Audit) result which is discussed in the *Performance Detail* section of this document.

practices. The term balanced scorecard is used because it ensures PSC priorities and decisions are balanced across these 4 domains. To measure success, PSC will diligently track the FY 2011 performance measures.

PSC achieved or exceeded the targets for four (4) of its 10 performance measures for FY 2009. They are Timely Billing (Performance Measure 1.1.3), Increase in Number of Customers (Performance Measure 1.2.1), Department-wide Consolidations (Performance Measure 1.3.1) and Overhead Costs (Performance Measure 1.3.2).

Not met were targets for Timeliness (Performance Measure 1.1.1), Customer Satisfaction (Performance Measure 1.1.2), Intra-service Costs (Performance Measure 1.3.3), and Cost Recovery (Performance Measure 3.5).

The FY 2009 performance results for Employee Satisfaction (Performance Measure 1.3.4) and Financial Audit (Performance Measure 1.3.6) are not yet available.

PSC also completed an organizational realignment and implemented eight of 15 Operation: High GEAR (Geared for Excellence by Achieving Results) strategic initiatives which improve performance results and help PSC achieve its long term goal of consistently delivering quality, timely and efficient services. Please see page 12 for more information regarding the High GEAR operation.

Performance Detail

PSC Online Performance Appendix Performance Measures Table

Agency Long-Term Objective: Improve quality – Provide quality administrative support so that high performance can be maintained in HHS Program Services.

Measure 1.1.1: Increase the percentage of services achieving timelines targets. (Outcome)

FY	Target	Result
2011	95%	Sep 30, 2011
2010	95%	Sep 30, 2010
2009	95%	93% (Target Not Met)
2008	95%	95% (Target Met)
2007	95%	95% (Target Met)
2006	95%	96% (Target Exceeded)

Measure 1.1.2: Increase the percentage of customers responding to PSC comment cards and indicating excellent/good ratings for satisfaction of services. (Outcome)

FY	Target	Result
2011	90%	Sep 30, 2011
2010	90%	Sep 30, 2010
2009	90%	88% (Target Not Met)
2008	90%	91% (Target Exceeded)
2007	90%	91% (Target Exceeded)
2006	90%	95% (Target Exceeded)

Measure 1.1.3: Increase the percentage of cost centers processing billings to coincide with service delivery (Outcome)

FY	Target	Result
2011	95%	Sep 30, 2011
2010	95%	Sep 30, 2010
2009	95%	97% (Target Exceeded)
2008	95%	95% (Target Met)

FY	Target	Result
2007	Set Baseline	87% (Baseline)

Measure	Data Source	Data Validation
1.1.1	Data on timeliness is tracked through internal cost center systems on a monthly basis	Timeliness data is tracked by each cost center and is submitted to the PSC Business Office on a monthly basis by cost centers that are randomly sampled and tested for data verification.
1.1.2	Customer satisfaction data is obtained through an electronic survey which is available 24/7 for customer input. In addition, hard copy comment cards are collected from customers as an alternative data collection mechanism.	Customer satisfaction data is collected each month. Customers are asked to complete surveys at the time of services rendered. In addition, the online survey is available through the PSC website and in the signature of PSC employee emails.
1.1.3	Data obtained from the PSC Revenue, Invoicing, and Cost Estimation System (PRICES).	Actual performance measured based on the monthly billing activity of cost centers.

Agency Long-Term Objective: Increase Cost Savings to HHS by Expanding Market Share or Increasing Size of Customer Base.

Measure 1.2.1: Increase percentage of new customers acquired annually. (Outcome)

FY	Target	Result
2011	2%	Sep 30, 2011
2010	2%	Sep 30, 2010
2009	2%	3% (Target Exceeded)
2008	2%	4% (Target Exceeded)
2007	2%	17.6% (Target Exceeded)
2006	2%	22% (Target Exceeded)

Measure 1.2.2: Increase sales revenue for each of the top 20 cost centers. (Outcome)

FY	Target	Result
2011	Set Baseline	Sep 30, 2011

Measure 1.2.3: Increase business from customers outside of HHS. (Outcome)

FY	Target	Result
2011	Set Baseline	Sep 30, 2011

Measure	Data Source	Data Validation
1.2.1	PSC maintains service level agreements with customers that track customers' purchasing behavior. In addition, data on the number of customers (established by billings) that the PSC support is maintained in the Customer Information section of PRICES.	Actual performance will be measured by the increase in the number of customers billed through PRICES.
1.2.2	Data will be obtained from the Cost Recovery Reports from the PSC Revenue, Invoicing, and Cost Estimation System (PRICES). These reports itemize costs, sales revenue and percentage of cost recovery for each PSC cost center.	Sales revenue data is reviewed monthly to monitor and adjust performance as needed. Final results are determined at the end of the fiscal year and will be calculated as the percentage increase in the sales revenue for each of the top 20 cost centers.
1.2.3	Data will be obtained from the billings by Customer Report and Cost Recovery Reports from PRICES.	Actual performance will be measured by the increase in sales revenue from customers outside of HHS.

Agency Long-Term Objective: Increase Cost Savings to HHS through Asset Management

Measure 1.3.1: Participate in Department-wide consolidations. (Outcome)

FY	Target	Result
2010	1 consolidation	Sep 30, 2010
2009	1 consolidation	2 consolidation (Target Exceeded)
2008	1 consolidation	2 consolidation (Target Exceeded)
2007	1 consolidation	0 consolidation (Target Not Met)

Measure 1.3.2: *Maintain PSC overhead rate to be less than 1.6% of total costs.* (Outcome)

FY	Target	Result
2011	1.4%	Sep 30, 2011
2010	1.6%	Sep 30, 2010
2009	1.6%	1.2% (Target Exceeded)
2008	1.6%	1.2% (Target Exceeded)
2007	1.6%	1.3% (Target Exceeded)
2006	1.3%	1.4% (Target Not Met but Improved)

Measure 1.3.3: *Maintain percentage of revenue consumed by intra-service costs.* (Outcome)

FY		
2010	Discontinued	N/A

FY	Target	Result
2009	4%	5% (Target Not Met)
2008	4%	5% (Target Not Met)
2007	4%	4% (Target Met)
2006	-10%	77% (Target Not Met)

Measure 1.3.4: Increase the percentage of overall employee satisfaction PSC-wide. (Outcome)

FY	Target	Result
2011	75%	Feb 29, 2012
2010	75%	Feb 28, 2011
2009	75%	Feb 28, 2010
2008	75%	53% (Target Not Met)
2007	75%	58% (Target Not Met)
2006	75%	61% (Target Not Met)

Measure 1.3.5: Increase the percentage of cost centers recovering within an established variance and achieving target Net Operating Result (NOR). (Outcome)

FY	Target	Result
2011	75%	Sep 30, 2011
2010	75%	Sep 30, 2010
2009	75%	56% (Target Not Met)
2008	75%	61% (Target Not Met but Improved)
2007	100%	60% (Target Not Met)
2006	100%	62% (Target Not Met)

Measure 1.3.6: Achieve unqualified audit opinion for the SSF. (Outcome)

FY		
2011	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC.	Dec 30, 2011
2010	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Dec 30, 2010
2009	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Apr 1, 2010

FY	Target	Result
2008	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC (Target Met)
2007	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Not completed (Target Not Met)
2006	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Not completed. (Target Not Met)

Measure	Data Source	Data Validation
1.3.1	Data will be obtained from the PSC Business Office who has responsibility for tracking participation in Department-wide consolidation efforts. Data will also be obtained on the total estimated FTEs reported HHS-wide that were categorized as administrative in nature.	Actual results will be presented based on ASAM approval of consolidation efforts. Actual reductions will be calculated as the total administrative FTEs over the prior year.
1.3.2	Data will be obtained from the Cost Recovery Reports from PRICES.	Actual performance will be calculated as the percentage of total overhead costs to total costs.
1.3.3	Data will be obtained from the billings by Customer Report and Cost Recovery Report in PRICES.	Actual performance will be calculated as the percentage of total intra-service costs to total revenue.
1.3.4	Data will be obtained from the results of the annual human capital survey, i.e., Human Resource Management Index (HRMI) survey, Federal Human Capital Survey, or some equivalent survey.	Actual results will be based on the annual human capital survey.
1.3.5	Data will be obtained from the Cost Recovery Reports from the PSC Revenue, Invoicing, and Cost Estimation System. These reports itemize the costs, including obligations and expenses; revenue; and percentage of cost recovery for each PSC cost center.	Cost recovery data is reviewed monthly to monitor and adjust performance as needed. Final results are determined at the end of the fiscal year and will be calculated as the percentage of all cost centers whose cost recovery is 100%.
1.3.6	Data will be obtained from the annual audit of financial statements.	Actual results will be identified in the annual financial audit performed by independent auditors.

Performance Narrative

Overview of PSC Performance

As PSC strives to be the shared services provider of choice across the Federal government, it continues to be performance driven in an effort to provide high quality and competitively priced administrative support services to its customers. Linking PSC's performance to its mission and goals and measuring its progress, is an essential part of the strategic visioning and planning process. The PSC mission and vision are focused on delivering products and services that are recognized as high value, especially for the price paid. PSC's Strategic Plan 2010-2013 identifies goals that enable employees and leaders within the organization to remain focused on this mission and vision. In order to measure its success in a quantifiable manner, PSC tracks performance measures that directly and indirectly link to each of the strategic goals. To this end, the three primary outcomes that PSC strives to achieve are timely delivery, excellence in customer service, and cost-effective operations. By striving to achieve these outcomes, PSC will support the Department's efforts for responsible stewardship and effective management.

PSC has worked diligently for the past several years to reengineer processes, control costs, set service level expectations with customers, and develop its employees as skilled customer service providers. The intent for each of these activities was to ensure that PSC improved its service delivery approach so that customers and competitors in the marketplace recognize PSC as a "state of the art" organization that is the provider of choice. The goal is for competitors in both the public and private sectors to look to PSC as the premier provider of administrative shared services and to benchmark their approach, prices, and service levels against those provided by PSC. This is a long range goal that requires a strict focus on continuous improvement, an understanding of customer needs, and an awareness of the market. In the short term, PSC remains committed to performing its own benchmarking activities to better understand how it compares to its competitors. This comparison allows PSC leaders to make educated decisions that help them achieve the end goal of "Becoming the Benchmark." Utilization of easily accessible performance results and benchmarking data enables PSC to adjust to the ever-changing business context in which it operates and ultimately helps us to develop the right tools necessary to reach the top of the market.

The results of the FY 2008 Human Capital Improvement Survey were released to PSC in April 2009 and demonstrated that PSC employees who responded to the survey had an overall job satisfaction rating of 53%. Therefore, the FY 2008 target of 75% was not met. To address the outcome of the FY 2008 HCIS, PSC evaluated the results, and implemented new strategies to address the shortcomings in our workforce-related processes. The PSC also introduced Operation: High GEAR to PSC employees in March 2008.

Under Operation: High Gear, the PSC Balanced Scorecard framework was developed based on four perspectives: 1) Our Customers and Stakeholders; 2) Our internal business processes; 3) Our Employees; and 4) Our financial management practices. In general, the PSC strategic initiatives i.e., “High-Gear” initiatives are designed to build the capabilities necessary to achieve the PSC goals or bridge the gaps between current and strategic capabilities. The workforce-related initiatives under the High-Gear program for example are designed to resolve the issues which surfaced from the Human Capital Improvement Survey and develop the necessary competencies to achieve our mission in an increasingly competitive environment for skilled resources. However, the term balanced scorecard is used because it ensures PSC priorities and decisions are balanced across these 4 domains. The FY 2011 performance measures support the strategic objectives in the PSC Balanced Scorecard.

The goals of Operation: High GEAR are to Enhance and Stabilize Core Services and Functions, Improve Service Delivery, Provide Best Value, Integrate and Modernize Administrative Systems and Improve PSC’s Human Capital. Under Operation: High GEAR, a series of 15 initiatives were initiated to achieve the tactical and strategic goals to transform the PSC into a robust, customer-focused shared services organization. The table below presents the 15 initiatives, associated goals, completed actions, deliverables and anticipated dates of completion.

Initiative Number	Initiative	Goals	Completed Actions / Deliverables	Anticipated Date of Completion
1	Re-Organize the PSC	PSC reorganized by consolidating information technology functions previously dispersed throughout the PSC. This enabled PSC management to: better serve its customers, leverage the skills and knowledge of its employees, make better use of technology, and better manage its information resources. Non-	PSC Reorganized successfully and is now reaping the benefits of consolidated IT functionality with improved impact on customer satisfaction.	Completed January 2009

		IT related services were grouped into more logical functional groupings to gain economies with respect to infrastructure services, personnel and resources.		
2	Utilize meaningful KPIs to make business decisions	This initiative was designed to establish a comprehensive, meaningful set of performance measures or Key Performance Indicators (KPI) for PSC. These were to include: High-Level Performance Indicators (Strategic KPI) and a set of Service Performance Indicators that measure performance of individual PSC products and services.	PSC Strategy Map, a one-page description of the PSC strategy, was developed. Set of strategic KPIs developed at the PSC level consistent with OMB performance measures used in the Congressional Justification. Full set of Service performance indicators (SPI) developed for 64 services/cost centers and used as source material for a Service Performance Review Meeting.	Completed September 2009
3	Utilize One-Stop Service	Provide a complementary set of services through simultaneous entry of customer information and with minimum involvement of	Built a prototype for automating the HSPD-12 badge request and IT access request processes. Developed a concept of operation for a customer portal to manage	Completed August 2009

		HHS Staff.	customer service requests, provision services, and provide personalized information to citizens and PSC customers. OSS was the first IT project investment in HHS to go through the Enterprise Performance Lifecycle (EPLC) Stage Gate Review process. In December 2009 obtained approval for OSS from the HHS IT Investment Review Board in accordance with the HHS Capital Planning and Investment Control policy.	
4	Utilize Customer Relationship Management Tools	Increase revenue for PSC, Develop opportunities to increase revenue from new and existing PSC customers, and Develop business processes and operating procedures based on best practices in customer relationship management.	Developed business processes and operating procedures based on best practices in customer relationship management. Piloted and evaluated the effectiveness of CRM as a tool.	Completed July 2009

5	Develop and Manage PSC Service Portfolio	Improve current product offerings, Identify new product and service offerings, Divest from non-performing and under-performing product and service offerings, Emphasize core product and service offerings for better value, and Perform ongoing reviews to include: financial trends, customer/market research benchmarking, role and impact on technology.	Developed quadrant chart depicting status of PSC services in terms of strategic importance to PSC and HHS versus potential growth. Completed comprehensive analysis of PSC revenue by service and by customer for FY08 and FY09.	Completed January 2010
6	Create Service Manager Role	Define functional skill sets and roles for the Service Manager to include: budget, contracting, sales, staffing, resource management, rate determination, market knowledge, knowledge of competition, best practices, contracting knowledge, funding, etc., and Define	Completed review of issues and recommendations surrounding service manager role	Completed December 2009

		leadership skill sets and behavior to include: strategic thinking, business planning, management skills.		
7	Strategically Manage PSC's Human Capital and Align with the PSC Service Portfolio	Develop Human Capital strategies that are linked to PSC's mission and vision and strategy map to ensure that PSC has the skilled staff needed to support the overall PSC strategy.	Developed graphical presentation of PSC staff organization and vacancies to better manage hiring and promotion. Developed core competency list for PSC specialties.	To be completed April 2010
8	Improve E-Gov Travel CoE Communications	Proactively satisfy the communication and information needs of all HHS travelers.	Developed enhanced website providing usable guidance for travelers.	Completed December 2008
9	Improve HSPD-12 Badge Process	Comply with HSPD-12 Presidential Directive, Improve turnaround time in badge registration and delays or errors in the request workflow, become a recommended service provider for badge issuance, Build the capacity to handle thousands of external	Improved turnaround time in badge registration and delays or errors in the request workflow. Re-located badging office in close proximity to paperwork to reduce errors and misplaced paperwork.	Completed September 2009

		customers, and Create standardized and scalable process to accommodate multiple customer agencies.		
10	Automate Transhare and Parking	Enable all eligible customers with the ability to register or enroll for a wide range of services simultaneously and efficiently with a single point of entry from their personal information, preferably during the EOD process. This information can then be used to support subsequent applications for other services. Improve customer service and to further encourage the use of public transportation.	Developed and introduced automated workflow system for managing parking applications and providing quicker more accurate service using less labor. Developed workflow-based system for automation of Transhare process providing greater security for disbursement of benefits and better reporting at lower cost and with quicker response to requests.	Parking Completed September 2009
11	Develop an Acquisition Knowledge Management System	Provide a single, reliable source of acquisition information tailored to the most common needs of the Strategic Acquisitions	Established the SAS Portal as single point of acquisition information for SAS employees and customers.	Completed September 2009

		Service and its customer base, and enable Strategic Acquisitions Service to increase the number, and quality of acquisitions processed for its customer base, while reducing overall cycle time to process simplified acquisitions.		
12	Institute a PSC-Wide Internship Program	Grow and develop talent within the PSC	Conducted Internship Survey Completed Final Report with Recommendations	To be Completed March 2010
13	Create an Awards Program	Align awards with the performance goals of strategic initiatives and objectives, Define criteria & process to include approvals, Retention for top performers, Increase morale/PSC performance, Enable managers more flexibility and accountability.	Conducted PSC Awards Survey for Supervisors & Employers Revised PSC Awards Policy Manual Developed in 2006	To be completed March 2010
14	Create Private Sector Shared Service &	Establish a viable exchange program with other public/private	Developed PSC Employee Exchange Program Toolkit Established process for PSC Employee	To be completed March 2010

	OPDIV Exchange Program	sector organizations, Improve the quality of PSC services through the incorporation of best practices, Provide tangible opportunities for growth for PSC employees, Develop a high-performing work force, and Create awareness of PSC and its services.	Exchange Program for Intra-Agency & External Agency & Org. Exchanges	
15	Improve Employee Recruitment	Decrease the cycle time for hiring qualified candidates, ensure that all hiring managers have the proper recruiting tools, coordinate and potentially consolidate all PSC's HR liaison functions so that all sourcing activities and processes are standardized, and contribute to the PSC's rate reduction goal (reduce rates by 15% by 2013).	Developed process flows for hiring process Developed Hiring Managers' Guide to the process Developed indexed library of PSC Position Descriptions	To be completed March 2010

These initiatives will position PSC to better serve customers by developing its workforce, providing processes and tools for targeted services, and focusing on more global issues such as determining our core services.

Operation: High GEAR follow-up survey results indicated a positive reception and strong approval of the initiatives. Survey results further indicated that employees feel PSC leadership is engaged, and committed to implementing the initiatives in Operation High GEAR. In FY 2009, 8 of the 15 High Gear Initiatives have been successfully completed. The completed initiatives were Initiative 1: Realign the PSC, Initiative 2: Utilize Meaningful Key Performance Indicators, Initiative 3: Provide One-Stop Service, Initiative 4: Utilize Customer Relationship Management Tools, Initiative 8: Improve E-Gov Travel CoE Communications, Initiative 9: Improve the HSPD-12 Badge Process, Initiative 10: Transhare and Parking Automated Systems and Initiative 11: SAS Knowledge Management.

The annual communications survey conducted in FY 2008 revealed that the PSC eNews, employee newsletter, is “Useful” or “Somewhat Useful” to 73% of the respondents. Feedback from the new hire orientation program revealed that knowledge of HHS, PSC and PSC Performance increased by 10%, 40% and 42% respectively. In addition, 51% of the attendees rated the new hire orientation as excellent. 58% judged the orientation to be relevant, containing the right amount of detail and felt it prepared them to work in the PSC.

On the whole, the PSC Employee Communication Survey results showed many components of PSC communications that are effective in providing useful and timely information to PSC employees. The data also showed there are some areas that will require more attention. Those areas have been the focus of continuous improvement in the Communications Program which is an ongoing effort.

To address opportunities for career growth, PSC tried to implement the Individual Development Planning (IDP) Program in FY 2006. The IDP Program has been stalled by Rockville Human Resource Center (RHRC) staffing shortages and the delay of HHS University in implementing the performance management module of the Saba Learning Management System. HHS University, the owner of the system has experienced high turnover of both government and contractor personnel, which has prevented adoption of the IDP system.

It is expected that the IDP program will be launched in June 2010 when the Saba Learning Management functionality is implemented. The IDP Program will allow employees to develop a detailed, action-based plan that targets development activities that they can complete to support their professional goals. This program will also foster two-way communication between employees and supervisors to ensure employees are receiving the necessary support and guidance from their direct supervisors, and those supervisors are receiving useful feedback. Since the IDP program has been delayed for several fiscal years, the PSC has utilized Annual Training Plans and the use of software tools to document training and career development in the interim.

PSC is committed to the goal of improving financial performance. To achieve this goal, performance measures were established to achieve a clean audit opinion with no material weaknesses and reportable conditions. This goal also sets expectations around cost management and PSC has two measures that specifically track intra-service costs and overhead costs to ensure that these costs are contained.

For FY 2009, PSC successfully met or exceeded the targets for 4 of the 8 completed performance measures. In the area of improving quality, PSC exceeded its targets for timely billing. PSC did not meet the targets under timeliness and customer satisfaction. In the area of market share expansion, PSC exceeded the target to acquire new customers. In the area of asset management, PSC participated in Department-wide consolidations and maintained its budgeted FTE staffing levels and overhead rate. PSC was unable to achieve the targets to reduce intra-service costs and achieve cost recovery.

While we may not achieve all performance measures from year to year, PSC continues to make significant progress toward achieving its primary outcomes of quality delivery and cost effective operations and will continue this effort in FY 2010 and FY 2011.

Detail of Performance Analysis

This section provides details on PSC's performance as the provider of premium, centralized administrative support goods and services for HHS. The performance measures table, data sources and data validation information are contained on pages 7 to 11. The present performance measures, targets, and actual results for PSC are summarized on pages 7 to 10.

Improve Quality:

PSC has a long term goal of consistently improving the delivery of quality, timely and efficient services so that HHS OPDIVs may receive superior service while maintaining focus on their mission-related programs. There are three important measures that indicate quality of service – timeliness, customer satisfaction and timely billing.

Performance Measure 1.1.1 (Timeliness: Target not met in FY 2009):

Timely service and responsiveness are critical elements that determine a customer's level of satisfaction with PSC. PSC consistently focus on maintaining and improving timeliness in order to maintain and improve the customers' perceptions of PSC as a service provider. PSC seeks to provide timely, accurate and efficient products and services to all customers through simplified, streamlined processes and procedures and through employment of best business practices.

PSC measures the timeliness of service delivery against the timeliness performance standards established for each product and service listed in our comprehensive Directory of Products and Services. Service delivery is considered timely when the requested service is delivered to the customer in a prompt manner and within the time frame published for the timeliness performance standard for that product or service. An example of a timeliness performance standard is the following: "95% of Express Orders will be processed and shipped within 1 business day". This timeliness performance standard applies to the pharmaceutical, medical, and dental supplies and services provided by the Supply Service Center under the Strategic Acquisition Service (SAS).

The target for each timeliness standard is set to achieve maximum customer satisfaction for timely delivery of products and services. In most cases, the timeliness targets are set at 95 to 100%. These standards exist in order to set expectations with the customer and to allow the customer to hold PSC accountable.

For Performance Measure 1.1.1, PSC tracks performance data to determine the percentage of its products and services that are achieving their individual timeliness standards. While these standards will be rolled up to the highest PSC level for reporting purposes, each Cost Center Manager of a product or service line is held responsible for meeting their goals. The responsibilities of a Cost Center Manager are assigned and documented under the Performance Management Appraisal Program (PMAP). Individual product and service lines results will be analyzed monthly and reviewed for

problem resolution and tracked for improvement. PSC Business Operations (PBO) provides monthly training to the Cost Center Managers so that they can properly analyze the performance results of their respective products and services.

For FY 2006, PSC tracked 117 individual timeliness standards for 61 products and services. The performance results demonstrate that PSC met timeliness standards 96% of the time, thus exceeding the target of 95%. For FY 2007, PSC tracked 150 individual timeliness standards for 82 products and services. The performance results for FY 2007 were timely 95% of the time, thus PSC achieved the target of 95%. For FY 2008, PSC tracked 156 individual timeliness standards for 71 products and services. There were less products and services in FY 2008 compared to FY 2007 because of cost center consolidations by the CASUs and realignment of the products and services provided by the Enterprise Support Service (ESS). In FY 2008, the performance results were timely 95% of the time, thus PSC achieved the target of 95%.

For FY 2009, PSC tracked 169 individual timeliness standards for 75 products and services. There were more products and services in FY 2009 compared to FY 2008 because of the new products and services such as ONE DHHS, Project Management Services, IT Security Services and Financial Reporting. In FY 2009, the performance results were timely 93% of the time which did not meet the performance target of 95%. PSC did not meet the FY 2009 target because of the initial challenges in some processes created by the organizational realignment. Cost centers were moved from Financial Management Service (FMS), Administrative Operations Service (AOS) and Enterprise Support Service (ESS) to the newly-formed Information and Systems Management Service (ISMS).

In FY 2010 and FY 2011, the target for Performance Measure 1.1.1 will remain constant at 95%. PSC will continue to analyze the targets established for each product and service to ensure that appropriate yet challenging targets are established. We will continue to achieve the timeliness standards at least 95% of the time in upcoming years.

Performance Measure 1.1.2 (Customer Satisfaction: Target not met in FY 2009):

The other factor in measuring quality is overall customer satisfaction. PSC has placed great emphasis on providing quality, value-added services to all customers through reengineered processes and procedures; upgraded infrastructure, tools and systems; transparency; management and employee attention to quality, and through employing best business practices. PSC will measure the perceived quality of its service delivery as the percentage of customers expressing overall satisfaction with the quality of services provided. When PSC's customers are satisfied with products and services they are receiving, it allows them to keep focus on their core mission.

Additionally, it is important for PSC to track customer satisfaction because the higher the satisfaction ratings, the more likely customers are going to continue purchasing PSC products and services, as well as increase their purchases. More sales have an overall effect on price per service in that the total cost of the service is being spread over a larger

customer base, thus reducing the price per unit. It is clear that customer satisfaction has a direct relationship not only to quality, but also to price for customers.

The customer satisfaction measure defines quality as those customers who are highly satisfied with overall service. PSC encourages customers to complete an on-line survey upon delivery of products and services and makes the survey available on PSC's website. Survey responses are collected and analyzed on a monthly basis to arrive at the customer satisfaction rating. The monthly performance results are distributed to the cost center managers to resolve issues and to monitor the performance of their respective areas.

As a result of prior years' performance and in an effort to create an attainable yet challenging target, the FY 2006 target was set for 90% of customers to be satisfied with PSC services. For FY 2006, 1,771 customers completed the PSC On-line Customer Survey with a resulting customer satisfaction rating of 95% based on a four point scale, thus exceeding the target of 90%. In addition, the customer satisfaction rating for each Service Area within PSC exceeded the 90% target.

In FY 2007, 1,507 customers completed the PSC On-line Customer Survey with a resulting customer satisfaction rating of 91% based on a four point scale, thus PSC achieved the target of 90%. In addition, all but one Service Area within the PSC exceeded the 90% target for customer satisfaction rating. FMS is the one Service Area that did not meet the target. The lower customer satisfaction results could be attributed to the implementation and stabilization of UFMS. While this type of effect could be expected under the circumstances, both PSC and FMS leadership are continuously monitoring the results and working to resolve issues that may contribute to the lower customer satisfaction ratings.

The lower customer satisfaction of 91% in FY 2007 as compared to 95% in FY 2006 could be attributed to the PSC-wide buyout in January 2007 that resulted in the loss of 35 employees and their institutional knowledge and customer service skills. This decrease in staffing and the lapse in hiring reduced the quality of service provided by PSC.

The decrease from FY 2006 to FY 2007 in the number of customers completing the on-line survey was due to less than active promotion of the comment cards and the feedback from some customers that some of the questions were unclear.

In FY 2007 due to staff turnover and staffing shortages, PSC was not able to update the questions in the comment cards and was not able to implement the initiative related to dissatisfied customers.

In FY 2008, the questions in the comment cards were updated and modified to be more relevant to customer requirements and easier to understand. Questions specific to the Information Technology Operations were also added so that management would be aware of items applicable only to ITO.

The PSC initiative related to Dissatisfied Customers was implemented in FY 2008. For each dissatisfied comment related to a certain product or service documented in the monthly Customer Satisfaction report, the Cost Center Manager is required to complete a Comment Card Feedback Form to provide the issue that caused the unfavorable rating and the corrective action plan taken to resolve the issue.

The following table displays the customer satisfaction results by Service Area in FY 2008.

FY 2008 Overall Satisfaction Ratings (# of Comments)	AOS	BTO	FMS	FOH	ESS	SAS	OD	PSC Overall
Very Satisfied	522	6	204	185	167	159	30	1,273
Satisfied	80	4	33	71	21	8	14	231
Dissatisfied	24	0	7	11	8	2	2	54
Very Dissatisfied	40	0	17	10	12	5	3	87
Total	666	10	261	277	208	174	49	1,645
Percentage of Customers Very Satisfied and Satisfied	90%	100%	91%	92%	90%	96%	90%	91%

The results for customer satisfaction in FY 2008 demonstrated that 1,645 customers completed the PSC On-line Customer Survey with a resulting customer satisfaction rating of 91% based on a four point scale, thus PSC achieved the target of 90%. In addition, all Service Areas and the Office of the Director (OD) within the PSC exceeded the 90% target for customer satisfaction rating.

In FY 2008, PSC implemented a Customer Feedback Form related to dissatisfied customers. Each Service Area or Cost Center must complete a Customer Feedback Form for each dissatisfied comment providing the issues that caused the dissatisfied rating and the corrective actions taken to resolve the issue. This initiative reinforced PSC's commitment to superior customer service.

The following table displays the customer satisfaction results by Service Area in FY 2009.

FY 2009 Overall Satisfaction Ratings (# of Comments)	AOS	ISMS	FMS	FOH	SAS	OD	BCSS	BFC	PSC Overall
Very Satisfied	364	270	206	187	115	29	26	3	1200
Satisfied	141	29	32	44	11	3	18		278
Dissatisfied	29	16	11	12	3	2	6	1	80
Very Dissatisfied	31	26	35	9	6		12	2	121
Total	565	341	284	252	135	34	62	6	1,679
Percentage of Customers Very Satisfied and Satisfied	89%	88%	84%	92%	93%	94%	71%	50%	88%

The results for customer satisfaction in FY 2009 showed that 1,679 customers completed the PSC On-line Customer Survey with a resulting customer satisfaction rating of 88% based on a four point scale, thus PSC did not achieve the target of 90%.

In FY 2009, PSC did not meet the Customer Satisfaction performance target. Based from the customer comments, most of the dissatisfaction was due to the initial challenges of the recently implemented organizational realignment which disrupted some processes and created some learning curve for some reassigned personnel. Cost centers were moved from Financial Management Service (FMS), Administrative Operations Service (AOS) and Enterprise Support Service (ESS) to the newly-formed Information and Systems Management Service (ISMS).

The PSC realignment was approved by HHS so that PSC can better serve its customers and can best leverage the expertise of its employees. The biggest driver in the realignment was the formation of ISMS as the IT services organization. PSC has proven itself to have strong IT capabilities. As PSC have grown organically, the IT assets were

distributed throughout PSC. At a certain time, this distribution of expertise made sense but now poses a challenge in managing these assets and competencies and how to better serve the customers. Best practices, especially for an organization of PSC's size, point to a structure where these assets are managed centrally. PSC also needs to better cultivate IT skills and to more effectively manage information resources, which are becoming more important to the PSC's service delivery structure of essential service offerings.

Despite falling slightly under target in FY 2009, the FY 2010 and FY 2011 targets will remain constant at 90%. PSC expects to improve its Customer Satisfaction performance in the coming years.

Performance Measure 1.1.3 (Timely Billing: Target exceeded in FY 2009):

In an effort to improve the quality of PSC service delivery, PSC established this performance measure in FY 2008 that strives to achieve timely billings. As a fee-for-service organization, it is important for PSC to process its billings when services are rendered in order to collect revenue from its customers in a timely manner. This performance measure was under development during FY 2007 wherein 87% was established as the baseline. The 87% resulted from the cost centers billing on time 707 instances out of 815 actions in FY 2007.

Timely billing in the PSC Revenue, Invoicing, and Cost Estimation System (PRICES) system is affected by the prompt receipt of billing data from the service providers, the availability of the related UFMS reports and the efficient set-up by the cost center managers for the customers' billing information in PRICES. Billing is considered timely when the invoices for the products and services of a certain cost center are entered by the Cost Center Manager into PRICES on or before the monthly cut-off date or deadline. To illustrate this timely billing, if the cut-off date for entering December invoices is January 3rd, the Cost Center Manager must complete his/her billing on January 3rd with a work order date of December 31st in order for the PRICES system to process this billing for the December billing deadline and for the billing to be considered timely.

Even though the FY 2007 result was 87%, the preliminary target that was established for FY 2008 was for 95% of cost centers to process billings to coincide with service delivery. In FY 2008, PSC achieved the target of 95%. By having a performance result of 95%, PSC was successful in achieving its intended outcome of increasing the percentage of cost centers processing billings to coincide with service delivery.

In FY 2009, the PSC exceeded the target of 95% with a rating of 97%. This is a 2% improvement over the FY 2008 performance result. The performance targets will remain at 95% for FY 2010 and FY 2011.

Improve Cost Savings to HHS by Expanding Market Share:

The PSC seeks to expand its portion of the Federal shared services market in order to

establish itself as the leader in shared services, benefit from economies of scale, achieve operational efficiencies, foster standardization, and free customers to focus on their core mission. As the shared services provider for HHS, it is essential that our prices be competitive and costs be controlled. To best serve our customers, we strive to identify ways that costs can be reduced and prices can be maintained and/or reduced.

One method of controlling price increases is through obtaining new Federal customers, not just HHS customers, but especially customers outside the Department. By doing this, the PSC can spread overhead costs to a greater number of work units; achieve economies of scale through volume buys, thus lowering the cost to customers. This is most effective when a greater portion of the expanded market includes external customer agencies, which has a direct effect on HHS customer agencies (i.e. total cost to the Department can be reduced.)² As a result, we must monitor our customer's usage of services (in addition to managing costs, which is discussed in the next series of performance goals.)

There are three measures utilized to track customer usage. The first measure, performance measure 1.2.1 (Increase in Number of Customers) tracks the percentage of new customers acquired annually. The second measure, performance measure 2.2 (Increase in Revenue for top 20 Cost Centers) is new for FY 2011. This performance measure is being utilized to track the increase in sales for the top 20 cost centers. The third measure, performance measure 2.3 is also new for FY 2011. This performance measure is being utilized to track the increase in revenue from customers outside of HHS.

Performance Measure 1.2.1 (Increase in Number of Customers: Target exceeded in FY 2009):

This performance standard is measured by the increase in the number of customers billed through PRICES. For this measure, the FY 2006 target was established before baseline data was available. As a result, PSC established a target of 2% growth over the FY 2004 baseline for FY 2006. The results for FY 2006 demonstrated that PSC exceeded its target for Performance Measure 2.1 by achieving a growth rate of 22%. The results could be attributed to the addition of two CASUs to PSC in October 2005. With the addition of the two CASUs to PSC's portfolio of business lines, PSC expanded its customer base. As a result of the market expansion achieved in FY 2006, the number of external customers has grown which will result in the ability to decrease costs in future years.

In FY 2007, PSC exceeded the goal of increasing its customers by 2% over the FY 2006 customer base. The FY 2007 result for this measure was 17.6% with an increase of 189 new customers. The bulk of the FY 2007 new customers were 29% from the Department of Defense (DOD), 12% were from Department of Labor (DOL) and 12% were from the Department of the Interior (DOI).

In FY 2008, PSC strived to increase its customers by 2% over the FY 2007 customer

² While expanding the market is one component of the equation, the other component that has an overall effect on total HHS cost is actual cost of service delivery. It is only when market share and total delivery costs are tracked that true savings to the Department can be determined.

base. The FY 2008 result for this measure was 4% with an increase of 54 new customers. 87% of the FY 2008 new customers were new customers of the CASUs. The other new customers were earned by the Supply Support Center, Federal Occupational Health (FOH) Seattle and Division of Property Management. The bulk of the FY 2008 new customers were 27% from DOD, 7% from the General Services Administration (GSA) and 3% from DOI.

In FY 2009, the PSC once again tried to increase its customers by 2% over the previous year's (FY 2008) numbers. The PSC exceeded this target by increasing its customer base by 3% over the previous year. There was an increase of 42 new customers wherein 50% were new customers of AOS, 36% were new customers of SAS, 12% were new customers of FOH and the rest were earned by FMS. The bulk of the FY 2009 new customers were 34% from DOD, 9% from City/State Government, 5% from DOI and 4% from DOJ.

For FY 2010 and FY 2011, PSC has set a target of maintaining growth for the number of new customers at a rate of 2% over the prior year.

Performance Measure 1.2.2 (Increase in Revenue for top 20 Cost Centers: New in FY 2011):

In an effort to improve cost savings by expanding market share, PSC has established a new performance measure for FY 2011 to achieve an increase in sales revenue for each of the top 20 cost centers. Below is the table of the top 20 cost centers for FY 2009:

Rank	Product/Service	Service Area	FY 2009 Revenue
1	CLINICAL SERVICES	FOH	\$101,024,540
2	KC CASU	AOS	\$76,592,352
3	ACQUISITIONS MANAGEMENT	SAS	\$72,835,071
4	DENVER CASU	AOS	\$51,744,916
5	NY CASU	AOS	\$50,508,481
6	SUPPLY SERVICE CENTER (PERRY POINT)	SAS	\$45,304,249
7	IT SERVICES (ITO)	ISMS	\$44,474,599
8	ENTERPRISE APPLICATIONS	ISMS	\$28,893,792
9	ENVIRONMENTAL HEALTH SERVICES	FOH	\$28,600,312
10	TELECOMMUNICATIONS MGMT./WITS	ISMS	\$28,503,358
11	UFMS O and M	ISMS	\$27,933,045
12	EAP	FOH	\$23,525,643
13	ACCOUNTING SERVICES	FMS	\$21,939,009

14	PERSONNEL/PHYSICAL SECURITY- HSPD12	AOS	\$19,885,776
15	PAYMENT MANAGEMENT – GENERAL	FMS	\$17,576,461
16	ENTERPRISE EMAIL SYSTEM	ISMS	\$14,671,039
17	BUILDING OPERATIONS – DELEGATED	AOS	\$13,276,523
18	PAYROLL	AOS	\$11,680,752
19	COST ALLOCATION	FMS	\$10,109,885
20	DEBT MANAGEMENT	FMS	\$9,514,572

Like most businesses, most of PSC’s sales come from a small subset of their operating units or products. For PSC, these operating units and products are represented by Cost Centers. The top 20 Cost Centers account for more than 75% of all sales revenue of PSC’s 60+ Cost Centers. PSC’s intention is to put a greater focus on these sales leaders because of their proven attractiveness and the benefits derived from increasing sales in those areas. Those benefits include reducing prices for customers, creating a larger base against which to spread overhead costs, and the ability to absorb losses from new or struggling cost centers.

This performance measure will be under development in FY 2011 and a baseline will be set. A preliminary target is being established for FY 2011 to strive for 5% increase in total sales revenue from the top 20 PSC revenue-producing cost centers. The sales revenue data for this performance measure will be obtained from the Cost Recovery Reports. In this performance measure, each CASU, e.g. Kansas City CASU will be considered as one cost center because it utilizes the same resources when it is providing products and services to customers.

What will be compared in this performance measure is the increase in sales revenue for the top 20 revenue-producing cost centers that have the same ranking in the previous fiscal year’s top 20 cost centers. For example, Clinical Services which is ranked number 1 in the FY 2009 top 20 cost centers will be compared to the cost center ranked number 1 in the FY 2010 top 20 cost centers in sales revenue. If we assume that Acquisition Management will be ranked number 1 in the FY 2010 top 20 cost centers, then the sales revenue of Clinical Services (ranked number 1 in FY 2009) will be compared to the sales revenue of Acquisition Management (assumed number 1 in FY 2010 for illustration purposes). During this sales revenue comparison, the increase in revenue for the number 1 ranked cost center will be calculated. In the same manner, the sales revenue for the cost center ranked number 2 in FY 2009 will be compared to the cost center ranked number 2 in FY 2010. This methodology will be repeated for the top 20 cost centers for FY 2009 and FY 2010 and the percentage increase for each ranking will be calculated. Then, the percentage increases will be added and divided by the number of rankings. In this case, 20 percentage increases will be added and then divided by the number of rankings which is 20. The resulting quotient will be the percentage increase in sales revenue for the top 20 revenue-producing cost centers.

Performance Measure 1.2.3 (Increase in Business from Customers outside of HHS: New in FY 2011):

In another effort to improve cost savings by expanding market share, PSC has established a new performance measure for FY 2011 to achieve an increase in business from federal customers outside of HHS. This performance measure calculates the share of non-HHS revenue as a percentage of total PSC revenue.

As a shared service provider for HHS, PSC's primary responsibility is the support of HHS's needs for administrative services. Nonetheless, PSC aggressively markets its services to other Governmental Agencies (OGAs) as well. By selling its services to OGAs, volume discounts can lower the unit price for all PSC's customers. An additional benefit occurs on the costing side because the increase in business is handled without a proportional increase in expenses (economies of scale). And, the PSC's overhead expense is spread over a greater base, which reduces rates for HHS customers. For these reasons, PSC is committed to increasing sales from all customers, including those outside of HHS.

This performance measure will be under development in FY 2011 in order to establish a baseline. The data for this performance measure will be obtained from the billings by Customer Report and Cost Recovery Reports. A preliminary target is being established for FY 2011 to strive for 5% increase in business from customers outside of HHS. In FY 2009, \$374 million, which is 48% of the total \$772 million PSC revenue, was from non-HHS customers. With this in mind, PSC is expecting that non-HHS business in FY 2010 will be 53% of total PSC revenue.

Improve Cost Savings to HHS through Asset Management:

Two critical factors that influence a customer's decision to purchase services from PSC are quality of the service and the price. PSC's first three performance measures address methods for monitoring quality, timeliness and improving customer satisfaction.

The previous three performance measures focus on monitoring volume of products and services purchased, which directly correlates to the prices PSC charges its customers. The remaining performance measures address factors that influence price; however, this set of measures focuses on the overall cost of delivering the products and services. If PSC costs can be maintained or reduced and the volume of services purchased remains steady or increases, there will be a positive result for the customer (i.e. prices remain the same or decrease).

Performance Measure 1.3.1 (Department-wide Consolidations: Target exceeded in FY 2009; Discontinued for FY 2011):

This performance measure was established in FY 2007 and replaced a retired measure that previously tracked PSC's contributions to the Department's goal for a reduction in administrative staff. This measure is intended to track PSC's participation in Department-wide consolidations which will address the overall Department goal of reducing administrative costs.

In FY 2007, PSC did not participate in a Department- wide consolidation.

In FY 2008, PSC participated in two Department-wide consolidations through HHS Consolidated Acquisition Solution (HCAS) and HSPD-12 Shared Biometric Enrollment and PIV Card Issuance Initiative. PSC participated in the Department-wide consolidation of acquisition systems. There were two distinct ways in which this created administrative cost savings. First, by consolidating operations and maintenance activities for HCAS into one team, PSC was able to bring IHS onto HCAS without additional administrative staff. Additional HHS OPDIVs will be joining in this effort in FY 2009 without a requirement for additional administrative staff. In addition, cost savings have been achieved between HCAS Operations and UFMS operations with respect to sharing and leveraging tools, processes, and infrastructure. This obviated the need for an additional FTE and achieved approximately \$1.5M savings in contractor resources, \$1.1M in savings in software tool costs, and \$0.5M in server infrastructure.

PSC, in a calculated effort to reduce costs and minimize duplication of effort across HHS, has purchased and deployed 22 HSPD-12 mobile Biometric enrollment and 21 Personal Identity Verification (PIV) card issuance stations across the United States and affiliated US territories. This enterprise offers OPDIV and STAFFDIV field offices the opportunity to enroll and be issued the new PIV card without having to procure, install and maintain expensive equipment, as well as staff the effort. These networked systems also eliminate the need for personnel to travel to their headquarters' offices for enrollment and PIV card issuance, saving time and money.

This effort achieved an approximate savings of \$2.5M for the Department during its first eighteen months of operation. Additional savings and benefits should follow when other OPDIVs and STAFFDIVs choose to use Division of Security Services (DSES) at PSC as an HSPD-12 enrollment and issuance service provider. NIH, NDMS, CMS, IHS, OMHA, and the OIG have signed memoranda of understanding governing the provision of these services by PSC.

In FY 2009, PSC exceeded the performance target under this Department-wide Consolidations performance measure by its involvement in two Department-wide consolidations through HHSIdentity EAM (Single Sign-On) and iProcurement. ISMS personnel of the PSC were involved in the development of the HHSIdentity EAM project

for an enterprise-wide solution. HHSIdentity EAM was created under one integrated infrastructure which can use identity cards or one ID and password login to access multiple applications. Two systems, EHRP and EWITS (including the Transhare and Parking modules) were the initial systems included in the Department's single sign-on solution. iProcurement was developed to provide the Department with a functionality that streamlined the requisitioning process. Through a self-service web interface, users can quickly perform requisitions to ensure prompt receipts of goods. iProcurement enables easy online ordering and self-service tracking and receiving which helps reduce routine purchasing inquiries and non-sourced spending. The integration of dynamic approval hierarchies ensures compliance with federal regulations regarding procurement and speed purchase of items that have a short approval process. iProcurement helps procurement professionals to focus on supplier relationships and strategic sourcing.

The target for FY 2010 is for PSC to participate in at least one consolidation. PSC decided to discontinue this performance measure in FY 2011 in order for PSC to concentrate on metrics that it has more control and are more related to price, service quality and customer satisfaction.

Performance Measure 1.3.2 (Overhead Costs: Target exceeded in FY 2009):

PSC recognizes that it must be prudent in controlling overhead costs (those not involved directly in the performance of our products and services). To achieve this outcome, PSC originally established a performance measure to reduce the resources consumed by overhead to the extent possible while still maintaining required internal support functions. As a result of a 40% reductions in overhead costs achieved during FY 2002 and FY 2004 as well as the performance results for FY 2005, PSC realized it could no longer continue to aggressively reduce overhead costs. Therefore, for FY 2006 the goal of reducing overhead for this performance measure was changed to a maintenance goal.

For FY 2006, PSC established a target of maintaining an overhead rate of 1.3% or less. The results indicate that the PSC overhead rate for FY 2006 was 1.4%. Although PSC came close, the results demonstrate that PSC was not able to achieve its target for FY 2006. The target was not met for this performance measure because the overhead costs increased as a result of PSC identifying and placing corporate costs where they appropriately belonged.

In FY 2006, PSC charged indirect costs sometimes to the business lines that had funding available. This practice made it very difficult to truly identify overhead costs. Personnel were sometimes charged just to a specific cost center instead of being charged as overhead costs to the entire PSC because of the functions that they performed. The PSC Executive Team (ET) decided that it would be more accurate and efficient to report and operate all overhead functions in a single office which was the PSC Office of the Director rather than the scattered approach that resulted in the FY 2006 target not being achieved. In addition, costs increased as a result of full implementation of PSC's communication initiative.

For FY 2007, PSC established a revised target of maintaining an overhead rate of 1.6% or less. This budgeted overhead rate increased slightly from the FY 2006 target due to inclusion of FTE and contractual costs into overhead that were previously supplemented by the PSC Service Areas. In addition, the increase included funds for upcoming business initiatives as well as increases related to oversight of competitive sourcing contracts. The FY 2007 results indicated that the actual overhead rate was 1.3% so that the FY 2007 target of 1.6% was achieved.

For FY 2008, PSC achieved a 1.2% performance result which achieved the FY 2008 target of 1.6%. The performance target for FY 2008 was materially exceeded by the aggressive actions of cost centers to control overhead costs.

For FY 2009, the target was again 1.6%, and the PSC achieved its target by maintaining a low overhead rate of 1.2%. In FY 2010, the performance target will be the maintenance of an overhead rate of 1.6%. For FY 2011, the target for this performance measure will be reduced to 1.4% because PSC was able to control overhead costs to 1.4% in FY 2008 and the trend continued for FY 2009.

Performance Measure 1.3.3 (Intra-service Costs: Discontinued starting in FY 2010; Target not met in FY 2009):

Intra-service costs are the costs of PSC services provided by one PSC cost center to another PSC cost center. This performance measure is being dropped for FY 2010 as PSC does not believe it will significantly contribute to PSC's long term goal to improve cost savings. The tedious process of internal billings, which are not accounted for in the financial statements, does not justify the labor costs invested in this metric. PSC is searching for another performance measure that will enable PSC to reduce costs and has the right and appropriate data collection and measurement system to support it.

As a result of the performance in prior years, this measure was revised for FY 2007 to be a maintenance goal with a target of maintaining the percentage of revenue consumed by intra-service costs to 4%. This refined measure was based from the FY 2006 performance result of 4%. In FY 2007, the actual intra-service costs was \$21,199,605 and the revenue was \$535,880,420 resulting in 4% of revenue consumed by PSC intra-service costs that successfully achieved the 2007 target of 4%.

In prior years, PSC encountered some difficulties in properly articulating and measuring this performance measure. In *FY 2009*, the FY 2004 to FY 2006 results were reflected as the monetary amounts of the intra-service costs instead of the resulting percentage. The percentage of intra-service costs as compared to revenue is the more appropriate measure and the formula used in the calculations of the performance results in the PSC's *FY 2009 Justification of Estimates for Appropriations Committees*. PSC had dramatic increases in business over the past few years which accounted for the increase in intra-service costs.

In FY 2008, the actual intra-service costs were \$32,129,559 and the revenue was \$690,134,553 resulting in 5% (4.7% if not rounded), of revenue consumed by PSC intra-service costs which did not achieve the 2008 target of 4%. There were more intra-service costs spent than projected for the corresponding revenue collected. The variance between the projected intra-costs and the actual intra-service costs was due to the costing process wherein the costs were not properly identified and aligned.

PSC is focused on educating managers on prudent use of PSC products and services in an effort to control operational costs and improve buying behavior. The target for FY 2009 is to maintain 4.0% of revenue consumed by intra-service costs which was the same target in FY 2008. PSC did not meet its target in FY 2009 with intra-service cost percentage of 5%

As indicated on page 5, this performance measure has been discontinued.

Performance Measure 3.4 (Employee Satisfaction: Target not yet available for FY 2009):

Studies have shown that there is a direct link between employee satisfaction, productivity, and customer satisfaction. As a result, it is essential that PSC monitor employee satisfaction levels because dips in satisfaction may result in lower levels of productivity, which then has a correlation to a potential increase in costs. PSC recognizes the importance of employee satisfaction with respect to the overall success of the organization.

To measure employee satisfaction levels, PSC relies on the results of the Department's bi-annual human capital survey (even years) and the OPM HCIS (odd years). PSC previously participated in the HHS-wide Human Resource Management Index (HRMI) Survey. For FY 2006, PSC set a target to achieve a 75% satisfaction rating. To measure achievement of this outcome, the PSC participated in the FY 2006 Federal Human Capital Survey that was conducted by the Office of Personnel Management. The results of the FY 2006 survey were released to PSC in March 2007 and demonstrated that 58% of PSC employees responded to the survey with an overall job satisfaction rating of 61%. Therefore, the FY 2006 target of 75% was not met.

The results of the FY 2007 survey were released to PSC in March 2008 and demonstrated that PSC employees who responded to the survey had an overall job satisfaction rating of 58%. Therefore, the FY 2007 target of 75% was not met. To address the outcome of the FY 2007 Human Capital Survey, the PSC continued the implementation of the employee engagement program to communicate survey results and generate discussions over how to address negative results.

The results of the FY 2008 Human Capital Improvement Survey that were released to PSC in April 2009 indicated that 27% of PSC employees responded to the survey. The personnel who participated in the survey revealed an overall job satisfaction rating of 53%. Therefore, the FY 2008 target of 75% was not met. To address the outcome of the

FY 2008 HCIS, PSC evaluated the results and planned new strategies to address the shortcomings. PSC has already implemented Operation High GEAR, a series of 15 initiatives to address tactical and strategic goals to transform the PSC into a customer-focused shared services organization. Five of these initiatives are designed to improve PSC's Human Capital experience. In FY 2009, 8 of the 15 High Gear Initiatives have been successfully completed. The completed initiatives were Initiative 1: Realign the PSC, Initiative 2: Utilize Meaningful Key Performance Indicators, Initiative 3: Provide One-Stop Service, Initiative 4: Utilize Customer Relationship Management Tools, Initiative 8: Improve E-Gov Travel CoE Communications, Initiative 9: Improve the HSPD-12 Badge Process, Initiative 10: Transshare and Parking Automated Systems and Initiative 11: SAS Knowledge Management.

The annual communications survey conducted in FY 2008 revealed that the PSC eNews, which was implemented as an employee newsletter, was "Useful" or "Somewhat Useful" to 73% of the respondents. Feedback from the new hire orientation program revealed that knowledge of HHS, PSC and PSC Performance increased by 10%, 40% and 42% respectively. In addition, 51% of the attendees of the new hire orientation rated it as excellent and 58% felt that it was relevant, contained the right amount of detail, and prepared them to work in the PSC.

On the whole, the PSC Employee Communication Survey results showed many components of PSC communications are effective in providing useful and timely information to the PSC employee. The data also showed there are some areas that will require more attention. Those areas have been the focus of continuous improvement in the Communications Program which is an ongoing effort.

PSC will continue to measure employee satisfaction as a critical component of its performance management program. PSC plans to improve human capital processes by focusing on human capital strategy, workforce planning and recruiting, knowledge management, career development, rewards and recognition, succession planning, work-life balance and change management. PSC anticipates launching the IDP Program in June 2010. The IDP Program will ensure employees receive the training and other developmental opportunities they need to advance in their careers and to meet the PSC's mission requirements. The PSC's IDP Program will utilize the IDP system owned by HHS University. The implementation of the IDP system has been delayed by RHRC staffing shortages and failure of HHS University to implement the performance management module of the Saba Learning Management System. In the interim, supervisors are utilizing Annual Training Plans and software tools to document employees' training and other developmental opportunities.

The PSC implemented the Employee Awards and Recognition Program as a means to ensure that managers are aware of their role in rewarding high performance and motivating their employees as well as providing the tools available to support them. The PSC also provided work-life balance programs such as Alternative Work Schedules (AWS) and Child Care Subsidy which began on October 1, 2000. Lastly, PSC implemented its Succession Planning Program to ensure it is proactively planning for the loss of employees in mission-critical positions. The Succession Planning Programs helps

improve job satisfaction through mentoring and training that prepares personnel to be ready for the mission critical positions. In the end, these efforts will assist the PSC in achieving higher levels of satisfaction across the organization and help it achieve the targets of 75% overall job satisfaction for FY 2009, FY 2010 and FY 2011.

The FY 2009 Employee Satisfaction performance results will not be available until February 2010.

Performance Measure 3.5 (Cost Recovery: Target not met in FY 2009):

The Cost Recovery performance measure is one of several performance measures with a long-term objective of increasing cost savings to HHS through asset management. As a working capital fund, PSC must fully recover its operating costs with customer revenue at the agency level. However, in order to ensure that this rolled up information is being managed as effectively as possible, PSC also tracks this information at each individual cost center (product/service) level.

Each cost center identifies costs, develops rates/prices, and then revenue is collected at the cost center level. Cost recovery data is reviewed monthly to monitor and adjust performance as needed. Cost recoveries are measured by the Net Operating Results (NORs) which are the variances between revenues and obligations. If the revenues of a cost center are equal or more than its obligations, then that cost center fully recover its costs for that fiscal year. Final performance results are determined at the end of the fiscal year and the Cost Recovery performance measure is calculated as the percentage of all cost centers that fully recovered their costs.

The Cost Recovery performance measure enables PSC management to evaluate the performance, cost, and business results of each product line; identify problem areas; and take appropriate action. PSC monitors cost center performance with an expectation that all costs will be covered by revenue recognition.

During FY 2004 and FY 2005, PSC completed an analysis of most of its product lines and conducted extensive reengineering. As a result, PSC identified its core business products and expected all to be operating at the highest recovery levels for FY 2006. Therefore, PSC established targets for FY 2006 and FY 2007 that have 100% of cost centers achieving full cost recovery. The performance results for FY 2006 demonstrated that 62% of cost centers fully recovered costs thus the target was not met. While the results achieved for FY 2006 were below the target of 100%, organizationally PSC recovered 100% of its operating costs. The performance results for FY 2007 demonstrated that 60% of cost centers fully recovered costs thus the target was not met. While the results achieved for FY 2007 were below the target of 100%, organizationally PSC recovered 100% of its operating costs.

The performance results for FY 2008 demonstrated that 61% of cost centers fully recovered costs thus the target was not met. The FY 2008 target was not met but the performance result was improved. While the results achieved for FY 2008 were below the target of 100%, organizationally PSC recovered 100% of its operating costs.

Even though the performance result for FY 2007 was 60% and the performance result for FY 2008 was 61%, the number of cost centers that did not achieve the performance targets for two consecutive fiscal years was reduced from 10 or 22% to 7 or 11% of the total number of cost centers.

While PSC continues to strive for full cost recovery at the organizational level and cost center level each year, it realizes that unforeseen circumstances and business fluctuations may alter its operations during the course of the year. Therefore, PSC established its FY 2009 target to have 75%, instead of 100%, of its cost centers recover costs within an established variance. The PSC did not meet its target on this metric in 2009. The performance result was 56% which was a decline of 5% from 2008 and 19% below target. The decrease was mainly due to the challenges brought by the reorganizational realignment. PSC expects that the cost recovery will improve in FY 2010 because of the Operation: High GEAR initiatives including the creation of a Service Portfolio Manager who will assist the Service Director to achieve numerous process improvements and the achievement of key metrics including cost recovery. The target of 75% will remain in effect for FY 2010 and FY 2011.

Performance Goal 3.6 (Financial Audit: FY 2009 results not yet available; FY 2009 SSF Audit will start January 2010):

A key component in managing PSC's costs is to monitor its financial data and ensure that we meet financial reporting requirements. Achieving an unqualified audit opinion from independent auditors is a significant performance measure of how PSC implements management controls and maintains its financial records. Based on government-wide standards, PSC has adopted a measure that targets a clean, unqualified audit opinion.

The FY 2005 audit for the PSC was finalized in January 2007. As was previously reported, the audit report for FY 2005 indicates that PSC has received an unqualified audit opinion with one repeat material weakness (Financial Systems and Processes), one reportable condition (Internal Controls over Payroll) downgraded from a FY 2004 material weakness, and one repeat reportable condition (Information Technology Access and Security Controls). PSC improved the audit findings for FY 2005 as a result of better monitoring and increased internal controls by the Enterprise Support Service (formerly the Human Resources Service) which resulted in reducing the material weakness to a reportable condition for Internal Controls over Payroll.

For FY 2006, and all years after, PSC had set the goal of attaining an unqualified audit opinion with no new material weaknesses and no new reportable conditions identified. In addition, PSC tracks progress made in correcting existing material weaknesses and reportable conditions.

The FY 2006 and FY 2007 financial audits of the PSC were not completed due to the deployment and stabilization of the Unified Financial Management System (UFMS). Though an independent audit of PSC activities were not completed, all PSC programs

were part of the Department-wide audit, which resulted in an Unqualified 'Clean' Opinion for FY 2006 and FY 2007.

Effective FY 2008, the SSF fund was audited instead of a PSC-specific audit. The Service and Supply Fund Board approved the expansion with the support of the Department's CFO. In FY 2008, PSC received an unqualified "clean" opinion of the SSF balance sheet, with no new material weaknesses and reportable conditions. Due to the large scale of PSC's financial operations and fiduciary responsibility, the successful FY 2008 audit results demonstrated PSC's continued commitment to its customers and its ability to manage and achieve positive results.

The FY 2009 SSF Audit is scheduled to start in January 2010 and to be completed at the end of the 2nd Quarter. It will focus on the Balance Sheet and the Statement of Net Cost. The target for the SSF-wide audit performance measure will remain the same for FY 2010 and FY 2011.

OPDIV/STAFFDIV-level Information

Link to HHS Strategic Plan

The following table displays the alignment of PSC strategic goals with the overall goals of HHS: ³

HHS Strategic Goals	PSC Goal 1: Enhance and Stabilize Core Services and Functions	PSC Goal 2: Improve Service Delivery	PSC Goal 3: Provide Best Value	PSC Goal 4: Integrate and Modernize Administrative Systems	PSC Goal 5: Improve PSC’s Human Capital
1 Health Care Improve the safety, quality, affordability and accessibility of health care, including behavioral health care and long-term care.					
1.1 Broaden health insurance and long-term care coverage.	✓	✓	✓	✓	✓
1.2 Increase health care service availability and accessibility.	✓	✓	✓	✓	✓
1.3 Improve health care quality, safety and cost/value.	✓	✓	✓	✓	✓
1.4 Recruit, develop, and retain a competent health care workforce.	✓	✓	✓	✓	✓
2 Public Health Promotion and Protection, Disease Prevention, and Emergency Preparedness Prevent and control disease, injury, illness and disability across the lifespan, and protect the public from infectious, occupational, environmental and terrorist threats.					
2.1 Prevent the spread of infectious diseases.	✓	✓	✓	✓	✓
2.2 Protect the public against injuries and environmental threats.	✓	✓	✓	✓	✓
2.3 Promote and encourage preventive health care, including mental health, lifelong healthy behaviors and recovery.	✓	✓	✓	✓	✓
2.4 Prepare for and respond to natural and man-made disasters.	✓	✓	✓	✓	✓

³ As the shared service provider for HHS, the strategic goals of the PSC are not directly linked to the strategic goals of HHS; rather they are aligned with the Department’s commitment to responsible stewardship and effective management.

HHS Strategic Goals	PSC Goal 1: Enhance and Stabilize Core Services and Functions	PSC Goal 2: Improve Service Delivery	PSC Goal 3: Provide Best Value	PSC Goal 4: Integrate and Modernize Administrative Systems	PSC Goal 5: Improve PSC's Human Capital
----------------------------	---	--	--	--	---

3 Human Services Promote the economic					
3.1 Promote the economic independence and social well-being of individuals and families across the lifespan.	✓	✓	✓	✓	✓
3.2 Protect the safety and foster the well being of children and youth.	✓	✓	✓	✓	✓
3.3 Encourage the development of strong, healthier and supportive communities.	✓	✓	✓	✓	✓
3.4 Address the needs, strengths and abilities of vulnerable populations.	✓	✓	✓	✓	✓
4 Scientific Research and Development Advance scientific and biomedical research and development related to health and human services.					
4.1 Strengthen the pool of qualified health and behavioral science researchers.	✓	✓	✓	✓	✓
4.2 Increase basic scientific knowledge to improve human health and human development.	✓	✓	✓	✓	✓
4.3 Conduct and oversee applied research to improve health and well-being.	✓	✓	✓	✓	✓
4.4 Communicate and transfer research results into clinical, public health and human service practice.	✓	✓	✓	✓	✓

Summary of Findings and Recommendations from Completed Program Evaluations

As the shared services provider for the Department, PSC's mission is to assist and enable HHS to focus on its core mission of enhancing the health and well being of all Americans through the provision of centralized, qualitative administrative support for goods and services.

Due to this, PSC's activities are administrative in nature and are not programs. Program evaluations apply to programs that have undergone program assessments. The PSC has no program evaluations because it does not run programs.

Most of the performance measures of PSC deal with some aspect of customer service.

Disclosure of Assistance by Non-Federal Parties

There is no contribution from non-Federal entity in preparing the FY 2011 OPA.