



# THE FY 2001 ANNUAL PERFORMANCE PLAN

## CFTC Mission Statement and Agency Goals

### Mission Statement

*The mission of the Commodity Futures Trading Commission is to protect market users and the public from fraud, manipulation, and abusive practices related to the sale of commodity futures and options, and to foster open, competitive, and financially sound commodity futures and option markets.*

### Goal One

*Protect the economic functions of the commodity futures and option markets.*

#### Outcome Objectives

1. Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.
2. Oversee markets which can be used effectively by producers, processors, financial institutions, and other firms for the purposes of price discovery and risk shifting.

### Goal Two

*Protect market users and the public.*

#### Outcome Objectives

1. Promote compliance with and deter violations of federal commodities laws.
2. Require commodities professionals to meet high standards.
3. Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act.

### Goal Three

*Foster open, competitive, and financially sound markets.*

#### Outcome Objectives

1. Ensure sound financial practices of clearing organizations and firms holding customer funds.
2. Promote and enhance effective self-regulation of the commodity futures and option markets.
3. Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.
4. Promote markets free of trade practice abuses.

## **Summary of Refinements to the Performance Plan**

The Commodity Futures Trading Commission is the federal law enforcement regulatory agency for futures trading. The Commission seeks to prevent wrongdoing related to the sale of commodity futures and options. Because the efforts of the Commission are preventative in nature, the effect of its efforts are difficult to measure. Notwithstanding this difficulty, the Commission continues to seek to improve its Annual Performance Plan (APP or Plan) in order to assist Commission management in producing results and to assist Congress, the Administration, and the public in assessing the Commission's performance. In the past year, the Commission has focused on several refinements or improvements to the Plan. These include:

- *Introducing outcome-related measures and reducing the number of activity-related output measures and annual performance goals in order to demonstrate a clearer picture of intended performance.*

Outcome measures have been introduced to the Annual Performance Plan's *Summary of Annual Performance Targets* table (beginning on page 171). Typically, output measures are weighted toward measuring the quantity of completed activities rather than the quality or timeliness of performance outcomes. The intent of the Government Performance and Results Act of 1993 (GPRA) was to shift the focus of government decision-making and accountability away from a preoccupation with completed activities to focus on the results of such activities. Whenever possible, performance measurements were made more results-oriented by adopting outcome-related measures. In some cases, the outcome measure has been established, but data is not currently available to provide a meaningful measure. In those cases, the Commission is committed to collecting the necessary data to produce a meaningful measure in the future. The FY 2001 Annual Performance Plan has replaced, restated, or deleted performance measures and goals to capture more precisely key aspects of the performance being assessed. Last year's plan included some 31 performance goals; however, 16 of the 44 activities had no performance goals. All of the 31 performance goals have been replaced. Instead, nine new annual performance goals (directly tied to the nine outcome objectives) were developed. This change simplifies the Plan and strikes a better balance between too few and too many annual performance goals and measures and therefore enhances the ability to assess progress made in achieving performance goals.

- *Developing a Program Logic Model to illustrate more clearly how progress toward achieving strategic goals will be tracked and the means/resources needed to achieve these goals.*

The Program Logic Model links the elements of the production process—inputs, activities, outputs, and outcomes by depicting how resources are allocated, activities will occur, outputs will be produced, and how these components contribute to the intended outcome (beginning on page 243). The Program Logic Model relates the key elements of the Commission's Strategic Plan (mission, goals, outcome

objectives, and activities) to performance measurement and the resources and support activities required to effectively implement the program plan.

- *Addressing the impact of internal management challenges on and the identification of external factors in achieving agency goals.*

Last year's APP included extensive and thorough discussion of operational strategies undertaken or planned in order to achieve strategic goals; however, most of the discussion of support strategies of the Commission were only implied. The FY 2001 Plan contains a fuller discussion of management challenges and the support strategies which are derived from an iterative assessment of the Commission's operational strategies (beginning on page 270). In other words: How do the support organizations of the agency contribute to the program and operational goals? What issues must be addressed to ensure that goals are accomplished—requirements such as recruitment, retention, and training of personnel, keeping abreast of technological changes?

- *Providing more detail on the resources required to achieve each performance goal.*

The FY 2001 APP provides detailed budget and FTE information for each of the Commission's nine outcome objectives in support of its strategic goals. (This detail was also provided in both the FY 1999 and FY 2000 APPs.) This information takes on new importance now that annual performance goals and outcome objectives are directly aligned, i.e., the number of resources needed to achieve each performance goal is clearer. Also, the FY 2001 Plan provides a ranking of resources devoted to the Commission's activities (see pages 170, 228, and 264) in addition to providing the ranking by outcome objective and strategic goal (see page 141). This provides additional insight into how the Commission employs its resources to achieve goals.

- *Identifying, by strategic goal, the impact of working relationships with outside entities.*

The FY 2001 Budget provides an extensive accounting of the Commission's cooperative relationships with outside entities in the section entitled *Working Relationships*. Although the nature of these relationships makes it impractical, usually, to participate with these entities in developing common goals and measures, the Commission recognizes the importance of clearly delineating the contribution that these relationships make toward achieving agency objectives. Accordingly, the contributions of these outside entities are identified by each agency goal immediately following the *FY 2000 and FY 2001 Program Plans* narrative for each goal (see pages 167, 224, and 260).

- *Linking past accomplishments to performance goals and outcome measures to enhance the clarity of the plan.*

## Annual Performance Plan

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The APP narrative of accomplishment is organized, by strategic goal, by program, and at the end of the narrative follows the *Summary of Annual Performance Targets* table. The table for each goal has been updated to include a cross-referencing link (see symbol below) between the performance goal and/or outcome measure and the preceding detailed narrative. This enhancement should contribute to the reader's understanding of the accomplishments summarized in the APP.



- *Verifying and validating performance information.*

The Commission had begun the process of documenting the various methods by which program offices collect data used to report on performance measures. Although the Commission has no reason to believe that data reported is not valid, making any representations at this point would be premature. The Commission's priority objectives of the past year have been on the enhancements outlined above, some of which (for example, replacing, restating, and/or deleting performance measures) are prerequisites to the verification and validation process.

## Breakout of \$72.0 Million Budget Estimate

### By Agency Goal

... The \$72.0 Million Budget is allocated among the agency's three Strategic Goals as follows:

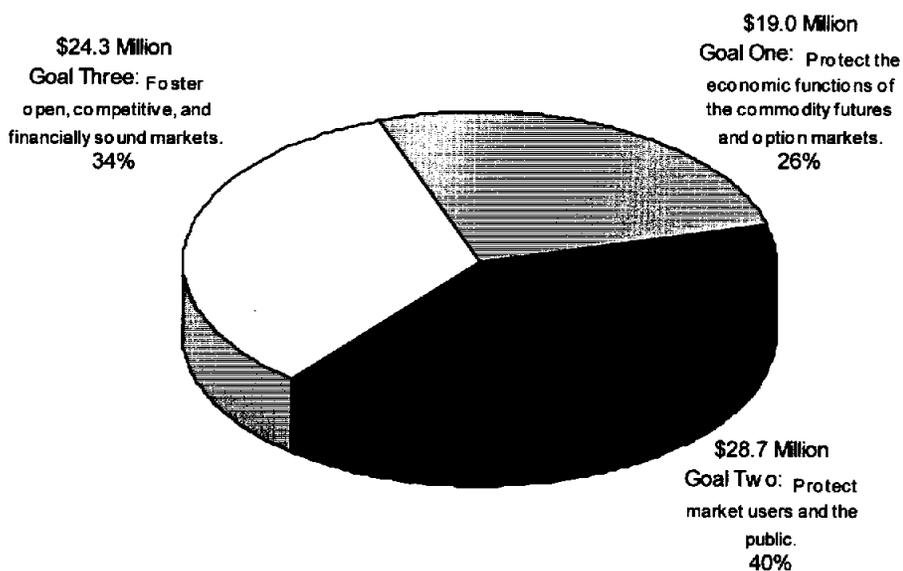
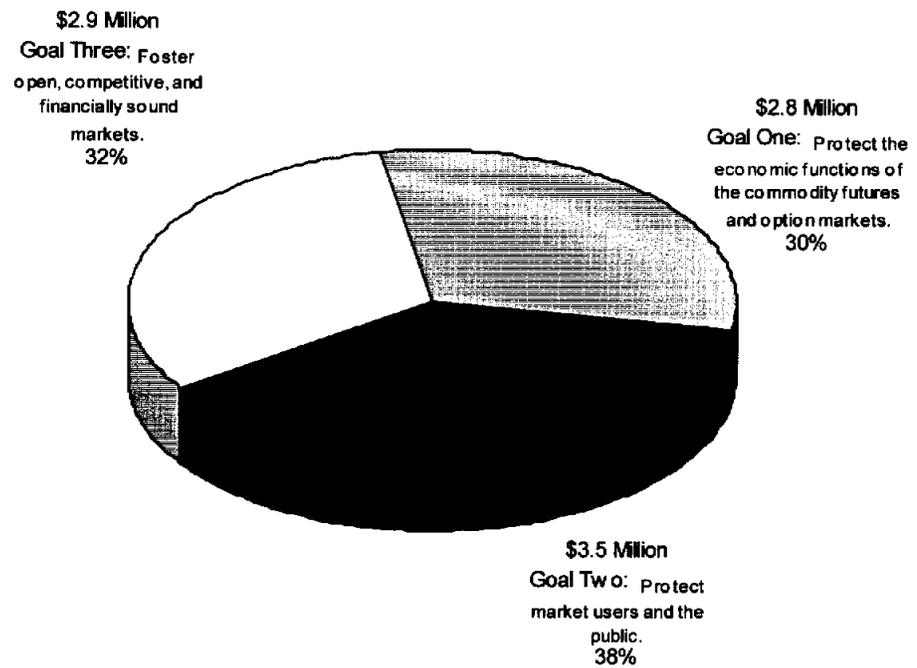


Figure 17: Breakout of FY 2001 President's Budget

## **Breakout of Requested \$9.2 Million Increase**

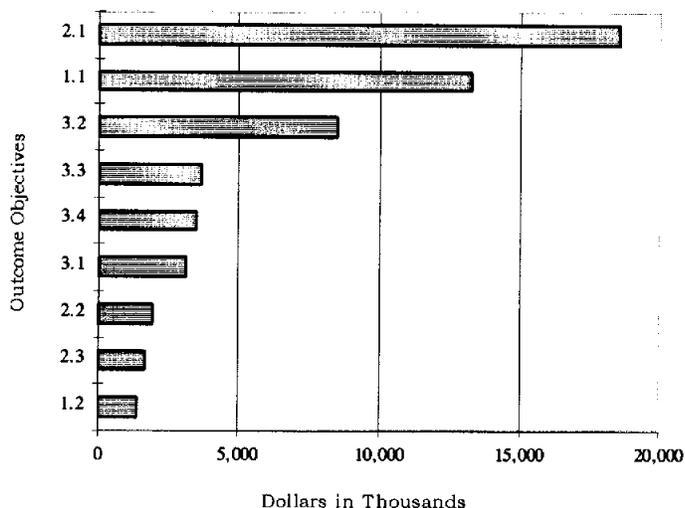
### **By Agency Goal**

*. . . the requested \$9.2 Million increase is allocated among the agency's three Strategic Goals as follows:*



**Figure 18: Breakout of Requested Increase**

## Ranking of Commission Outcome Objectives By Dollars Budgeted



**Figure 19: Ranking of Commission Outcome Objectives by Dollars Budgeted**

### Outcome Objective

- 2.1<sup>1/</sup> Promote compliance with, and deter violations of, federal commodities laws.
- 1.1 Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.
- 3.2 Promote and enhance effective self-regulation of the commodity futures and and option markets.
- 3.3 Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.
- 3.4 Promote markets free of trade practice abuses.
- 3.1 Ensure sound financial practices of clearing organizations and firms holding customer funds.
- 2.2 Require commodities professionals to meet high standards.
- 2.3 Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Commodity Exchange Act.
- 1.2 Oversee markets which can be used effectively by producers, processors, financial institutions, and other firms for the purposes of price discovery and risk shifting.

<sup>1/</sup> Denotes Goal Two, Outcome Objective One. (See page 9.)

*. . . Properly designed futures and option markets serve vital price discovery and hedging functions which are essential to a healthy, capital-based economy. The prices established by the futures markets affect trillions of dollars in commercial activity and directly or indirectly affect all Americans . . . .*