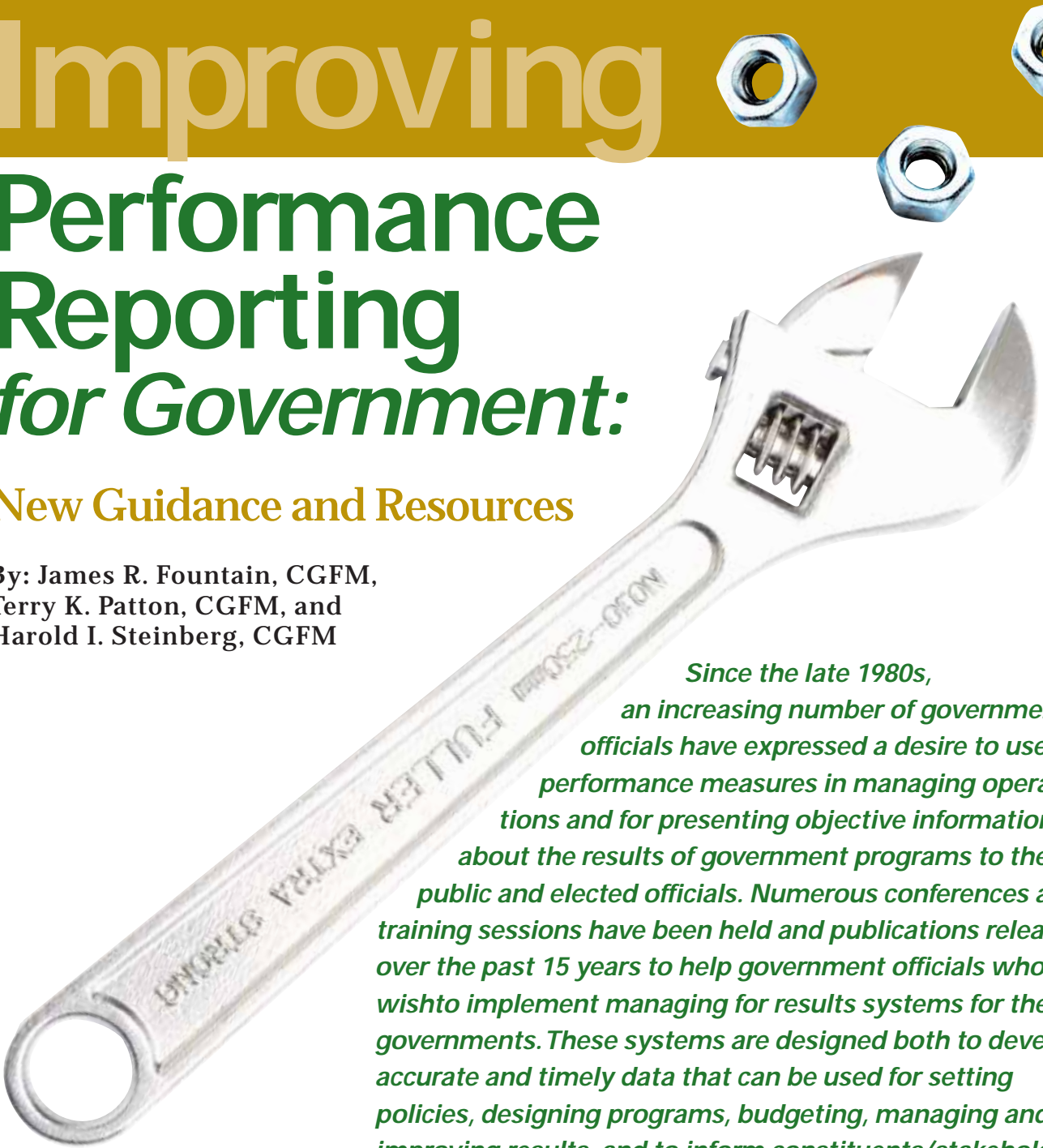


Improving

Performance Reporting for Government:

New Guidance and Resources

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Since the late 1980s, an increasing number of government officials have expressed a desire to use performance measures in managing operations and for presenting objective information about the results of government programs to the public and elected officials. Numerous conferences and training sessions have been held and publications released over the past 15 years to help government officials who wish to implement managing for results systems for their governments. These systems are designed both to develop accurate and timely data that can be used for setting policies, designing programs, budgeting, managing and improving results, and to inform constituents/stakeholders about how well government is meeting its established objectives and achieving its broad mission of helping maintain or improve the well-being of its citizens.

The views expressed in this article are those of the authors. Official positions of the GASB are determined only after extensive due process and deliberation.

The Governmental Accounting Standards Board (GASB), because of its mission, has been primarily interested in one aspect of what is now termed the managing for results process—the reporting of performance information to citizens, investors and creditors, and legislative and oversight officials.¹ This interest was expressed in GASB’s call for experimentation with SEA reporting in 1985 and in the inclusion of SEA reporting as one of the objectives of financial reporting in GASB Concepts Statement No. 1, *Objectives of Financial Reporting*, which was published in 1987. Beginning in 1989, GASB published the first in a series of research reports on service efforts and accomplishment reporting (now commonly referred to as performance reporting). These research reports defined types of performance measures and provided examples for 12 service areas. In 1994, GASB issued Concepts Statement No. 2, *Service Efforts and Accomplishments Reporting*, which contained the conceptual background for performance reporting. However, even with the work that GASB and many other researchers had done, and the work of many experimenters with performance reporting, preparers of performance reports still have many questions about the communication of performance information including the appropriate content and format for performance reports. These questions include:

- What performance information should be reported?
- What elements should be considered in preparing to report performance information?
- How important are data verification and external review or evaluation?
- How can performance information be effectively communicated to citizens?

In August 2003, GASB released a special report, *Reporting Performance Information: Suggested Criteria for Effective Communication*. The report is intended to help government personnel answer those and other questions. The special report, which was funded in part by the Alfred P. Sloan Foundation, sets forth 16 suggested criteria that government officials can use for guidance in preparing SEA (or performance) reports that effectively communicate relevant and reliable information about the results of government programs and services.

Development of Suggested Criteria

The development of the suggested criteria included in the special report was an iterative and lengthy process that involved research, drafting, review and modification. The initial development of a preliminary set of criteria drew heavily from previous GASB research efforts; from monitoring experimentation with performance reporting; and from the work of other researchers. The initial set of criteria was then reviewed by the GASB SEA Task Force and modified based on its comments. Discussion groups were held with state and local government personnel and some citizens to obtain their input on whether the criteria were understandable, relevant, and if followed by a government, had the potential to result in effective communication of performance information. State and local government personnel also commented on their ability to comply with the suggested criteria. Based on suggestions made during the field discussions, the suggested criteria were again

modified. As a final step, a draft of the suggested criteria was again reviewed by the GASB task force, selected experts and individually by GASB members. Final modifications were made to improve the suggested criteria based on their comments. However, it should be noted that the suggested criteria are work of the GASB staff, which did not seek formal approval of these criteria by any of the participants in the process.

Suggested Criteria

The special report arranges the 16 criteria into three broad categories:

- the external report on performance information,
- what performance information to report and
- communication of performance information.

Although the following presentation of the criteria only highlights what each of the criterion is designed to accomplish, the special report provides much more detail by further describing the criterion, explaining the rationale behind the criterion and providing examples of how the criterion can be practically applied. The criteria are listed in a logical sequence and not in order of importance.

The External Report on Performance Information

The external report on performance information should provide a basis for understanding the extent to which an organization has accomplished its mission, goals and objectives in the context of potential significant decision-making or accountability implications.

1. Purpose and scope

The purpose and scope of the report should be stated clearly. The statement of scope should include information about the completeness of the report in its coverage of key, major, or critical programs and services.

The purposes of this criterion are to inform users of the intent of the report, and to identify the programs and services (parts of the organization) that are included in the performance report.

2. Statement of major goals and objectives

The report should clearly state the major goals and objectives of the organization and the source for those goals and objectives.

The purposes of this criterion are to provide users with the goals and objectives that have potential decision-making or accountability implications for the organization being reported, and to identify the origin or source of the goals and objectives so users can determine how the organization established them.



GASB Representatives Visiting AGA Chapters

This is a not-to-be-missed opportunity for the nation's top state and local government financial accounting and reporting experts to provide FREE CPE at your AGA chapter! The AGA National Office is pleased to extend a special opportunity to AGA chapters. Between Jan. 1, 2004 and Dec. 31, 2004, Jay Fountain, CGFM, former assistant director of research, now retired, and Wilson Campbell, CGFM, project director, SEA Program, Governmental Accounting Standards Board (GASB), are available as educational event and conference speakers.

Visit www.agacgfm.org/education/chpedu.aspx for more details or contact AGA's Director of Education Lin Latham at llatham@agacgfm.org.

Schedule of Visits as of Jan. 26, 2004

March 11 – 12 • Baton Rouge

Speakers: Fountain & Campbell; Contact: Billie Tripp, 225.644.0619, cctripp@eatel.net, or Michele Louviere, CGFM, 225.389.0294, MLouviere@olg.hhs.gov

March 26 • Trenton, NJ

Speakers: Fountain & Campbell; Contact: Lynn Armano, 609.984.7794, Lynn.Armano@treas.state.nj.us

April 8 • Minneapolis/St. Paul

Speaker: Campbell; Contact: Jeff Conner, 651.296.9992, Jeff.Conner@State.MN.US

April 16 • Phoenix

Speaker: Campbell; Contact: Kenneth Felthouse, 480.727.6321, Kenneth.felthouse@asu.edu

April 19 • Sacramento

Speaker: Fountain; Contact: Katherine Thompson, CGFM, 916.933.3181, Thompson.Katherine@epa.gov

April 19 • Central Ohio (Columbus)

Speaker: Campbell; Todd Daughenbaugh 614.589.2029 tdaughenbau@cml-lib-oh.us

April 20 • Portland, OR

Speaker: Fountain; Contact: Katrina Price Moore, 503.230.5988, kmpricemoore@bpa.gov

April 22 • Seattle

Speaker: Fountain; Contact: Julianne Hartman Cutts, CGFM, 206.287.4803, cuttsj@gao.gov

April 22 • Dallas/Ft. Worth

Speaker: Campbell; Contact: Raylene Mason, CGFM, 817.685.2450, ext. 227, rmason@oig.hhs.gov

April 25 • Idaho Centennial

Speaker: Fountain; Contact: Angela Billings, CGFM, 208.334.2882; abillings@dfm.state.id.us

April 28 • Lincoln, NE

Speaker: Campbell; Contact: Frank Faughn 402.435.2880, 402.540.1858, ffaughn@dsnonline.org

May 4 • Northern Utah Chapter

Speaker: Fountain; Contact: Lynn Bodrero 801.538.3119, lbodrero@utah.gov

May 10 • Chicago

Speaker: Fountain; Contact: Annette Dunn 312.886.0115, Annette.Dunn@dhs.gov

Check the website for other upcoming dates in your area!

3. Involvement in establishing goals and objectives

The report should include a discussion of the involvement of citizens, elected officials, management, and employees in the process of establishing goals and objectives for the organization.

The purposes of this criterion are to provide information that will help users identify who has been involved in establishing goals and objectives, to determine the extent of that involvement and to decide whether those responsible for achieving results participated in the establishment of goals and objectives.

4. Multiple levels of reporting

Performance information should be presented at different levels (layers) of reporting. The relationship between levels of available performance information should be clearly communicated and should include how the user can find information at the different levels reported.

The purpose of this criterion is to allow specific users to find the appropriate and desired level of detailed performance information for their interests and needs.

5. Analysis of results and challenges

The report should include an executive or management analysis that objectively discusses the major results for the reporting period as well as the identified challenges facing the organization in achieving its mission, goals and objectives.

The purpose of this criterion is to present performance results with a discussion of those results and challenges facing the organization so users can better understand and use the report.

6. Focus on key measures

The report should focus on key measures of performance that provide a basis for assessing the results for key, major, or critical programs and services; and major goals and objectives of the organization. An external performance report should be concise, yet comprehensive in its coverage of performance.

The purpose of this criterion is to ensure that performance reports provide users with enough information to develop their own conclusions about important aspects of an organization's performance, without overwhelming them with more information than they can assimilate.

7. Reliable information

The report should contain information that readers can use to assess the reliability of reported performance information.

The purpose of this criterion is to assist users in assessing the credibility of the reported performance information.

What Performance Information to Report

The performance information reported should assist in communicating the extent to which the organization and its programs, services, and strategies have contributed to achieving goals and objectives.

8. Relevant measures of results

Reported performance measures should be relevant to what the organization has agreed to try to accomplish and, where possible, should be linked to its mission, goals and objectives, as set forth in a strategic plan, budget or other source.

The purposes of this criterion are to ensure that reported performance measures reflect the organization's goals and objectives, and to provide users a basis for understanding the degree to which those goals and objectives have been accomplished.

9. Resources used and efficiency

Reported performance information should include information about resources used or costs of programs and services. It also could report performance information relating cost to outputs or outcomes (efficiency measures).

Purpose: The purpose of this criterion is to facilitate an assessment of resources used and the efficiency, cost-effectiveness, and economy of programs and services.

10. Citizen and customer perceptions

Citizen and customer perceptions of the quality and results of major and critical programs and services should be reported when appropriate.

The purposes of this criterion are to ensure that a more complete view of the results of programs and services is provided, and to report results not captured by an organization's other "objective" measures of outputs and outcomes.

11. Comparisons for assessing performance

Reported performance information should include comparative information for assessing performance, such as to other periods, established targets, or other internal and external sources.

The purpose of this criterion is to provide a clear frame of reference for assessing the performance of the organization, its programs and its services.

12. Factors affecting results

The report should include a discussion of identified external and internal factors that have had a significant effect on performance and will help provide a context for understanding the organization's performance.

The purpose of this criterion is to help users understand the factors that might have an effect on performance, including relevant conditions in the state, region or community, or in the operating environment of the reporting organization.

13. Aggregation and disaggregation of information

Reported performance information should be aggregated or disaggregated based on the needs and interests of intended users.

The purpose of this criterion is to provide performance information that is not misleading because it obscures or is not representative of true performance, and is relevant to users with different interests and needs.

14. Consistency

Reported performance measures should be consistent from period to period; however, if performance measures or the measurement methodology used is significantly changed, that change and the reason(s) for the change should be noted.

The purposes of this criterion are to allow users to compare an organization's performance from period to period, to better understand, and be familiar with, the organization's performance over time and to be informed of changes in measures or methodology and the reasons for those changes.

Communication of Performance Information

A reasonably informed, interested user should be able to learn about the availability of reports on performance and should be able to access, understand and use reported performance information.

15. Easy to find, access and understand

The availability of an external report on performance and how to obtain that report should be widely communicated through channels appropriate for the organization and intended users. Performance information should be communicated through a variety of mediums and methods suitable to the intended users.

The purposes of this criterion are to ensure that a broad group of potential users are aware that performance reports are available, and to provide the performance information in forms that different users can access, understand and use to reach conclusions about the results of the organization.

16. Regular and timely reporting

Performance information should be reported on a regular basis (usually annually). The reported information should be made available as soon after the end of the reporting period as possible.

The purpose of this criterion is to ensure that organizations report performance information on a regular and timely basis so such information can be used as a key part of the decision-making and accountability processes.

These suggested criteria are designed to provide guidance to preparers who want to prepare SEA (or performance) reports that effectively communicate relevant and reliable information to elected officials, citizens and other users about the results of government programs and services. We believe that experimentation with these criteria will help improve the ability of state and local governments to enhance their citizens' and elected officials' understanding of what they are doing to achieve important goals and objectives that will improve the well-being of citizens and others. We therefore strongly encourage governmental organizations to use these criteria as a basis for experimentation with SEA (or performance) reporting.

What Next?

GASB has encouraged experimentation with performance (also referred to as SEA reporting) since 1985. The suggested criteria developed for the special report is the

latest in GASB's effort to encourage governments to experiment with performance reporting. Other organizations are supporting this effort by encouraging governments to use the suggested criteria.

National Center for Civic Innovation

The National Center for Civic Innovation (NCCI), with support from the Alfred P. Sloan Foundation, has established a grant program for the purpose of encouraging state and local governments to apply the criteria suggested in GASB's special report. It plans to award grants of approximately \$30,000 each to assist about 30 governments to prepare two annual performance reports using some or all of the suggested criteria. Although the grants are not intended to cover all the costs that a government will incur in developing a performance report, the grants are intended to lessen the burden while also identifying and recognizing the participating governments as innovators in performance measurement.

To be eligible to apply for a grant, an entity should be a state or general-purpose local government, although a limited number of special purpose entities (such as school districts or transportation authorities) may be considered. The grants will be awarded on a competitive basis with an expert panel selecting the governments to participate. The deadline for submitting an application for a grant has just been extended to March 31, 2004. Additional information regarding the grant program, including application procedures and grant requirements may be obtained at the NCCI website: www.nationalcenterforcivicinnovation.org.

Association of Government Accountants (AGA)

The Association of Government Accountants (AGA) has developed and launched an Alfred P. Sloan Foundation-funded project, the *Certificate of Excellence in Service Efforts and Accomplishments Reporting Program*. This important initiative is aimed at encouraging state and local governments to prepare and issue high-quality service efforts and accomplishment reports. Jurisdictions submit their performance reports to AGA for an in-depth evaluation and then receive detailed recommendations for improving the document's content and structure.

The evaluations are based primarily on Review Guidelines that were developed using suggested criteria set forth in the GASB's Special Report for Reporting Performance Information, AGA's work with a certificate of excellence program for federal agency performance and accountability reports, and other sources. Entities applying for the National Center for Civic Innovation grants are particularly encouraged to participate in the AGA's Program.

The Sloan Foundation's full sponsorship gives AGA three years to develop the program, which includes a Pilot Phase and an Implementation Phase. AGA conducts the Pilot Phase evaluations from October 2003 through spring 2004. The purpose of this phase is to develop experience with the Draft *Review Guidelines* and to otherwise prepare for an Implementation Phase. More than 20 governments have stepped forward as charter participants (see listing on next page) and nearly 70 individuals volunteered to serve as program

reviewers. A summary of the program results will be available late spring 2004.

Evaluations under the Implementation Phase begin October 2004 and run through spring 2005 and will culminate in presenting Certificates of Excellence to recognize outstanding reports. During this phase, AGA and Sloan will be assessing interest in the program and discussing the feasibility of continuing it with funding from user fees.

For more information, visit AGA's website at www.agacgfm.org/performance/sea.

Summary

Over the next several years, GASB plans to encourage and actively assist governments that wish to experiment with performance measurement reports by using the suggested criteria in the special report, *Reporting Performance Information: Suggested Criteria for Effective Communication*. GASB believes that the use of the suggested criteria set forth in this special report will help improve the reporting of performance information and enhance the understanding of citizens, elected officials and others about the results of government programs and services. If you are interested in learning more about the project, the best place to start would be to read the special report. It can be obtained at no cost either at the website, www.seagov.org, or by calling the GASB order department 800.748.0659. ¶

End Note

1. GASB's mission is to establish and improve standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports, and guide and educate the public, including issuers, auditors and users of those financial reports. Included in that mission, as stated in GASB Concepts Statement 1 as an objective, is that financial reporting should provide information to assist users in assessing the service efforts, costs and accomplishments of the government entity.



Jay Fountain, CGFM, a member of AGA's Bridgeport Chapter, recently retired as the assistant director of research, Governmental Accounting Standards Board.



Terry Patton, Ph.D., CPA, CGFM, a member of AGA's Ft. Worth Chapter, is the research manager, Governmental Accounting Standards Board. Previously, he was an assistant professor of Accounting at the University of Wisconsin Oshkosh and a supervisor at a Texas CPA firm where he conducted audits of local governments.



Harold I. Steinberg, CGFM, a member of AGA's Northern Virginia Chapter, is the technical director for AGA's CEAR and SEA Programs. He is the retired deputy controller, Office of Federal Financial Management, U.S. Office of Management and Budget.