

Bridging the Gap

Quality performance reporting encompasses both accounting and auditing when producing reports that fairly present performance and financial condition while ensuring that these results are systematic and verifiable. Performance reporting has received considerable attention in the past 20 years from the Governmental Accounting Standards Board (GASB) since a series of studies on the subject published between 1989 and 1992 concluded "Its Time Has Come." In 1994, the GASB released Concepts Statement No. 2, *Service Efforts and Accomplishments Reporting*, which did not set formal reporting standards but called for "experimentation" with performance reporting and measurement.

In 2003, GASB staff issued "Reporting Performance Information: Suggested Criteria for Effective Communication" (also known as the "green book"). Soon thereafter AGA developed a Certificate of Achievement in Service Efforts and Accomplishments Reporting (COA-SEA) program for state and local governments. To evaluate the reports, AGA uses guidelines that are based on the criteria that GASB suggested for state and local governments' performance reports. In three years of the

COA-SEA program (for fiscal years 2004–2006), 15 local governments successfully implemented the criteria and earned a combined total of 33 awards.¹

The AGA program is similar to the Government Finance Officers Association (GFOA) program on financial reporting and budgeting. However, the performance reporting efforts have not been without controversy. Professional associations, most notably GFOA, have opposed GASB's efforts "to play a role in the development of performance measurement in the public sector."² In 1993 and again in 2002, the GFOA issued "Public Policy Statements"³ opposing GASB's efforts. In April of 2007, the GASB formally added a project on performance reporting to its agenda and expects to issue drafts in 2008. GASB will follow its normal "due process" whereby the drafts are made available to the public for comments prior to issuing a final report.⁴

Other barriers to performance reporting include a lack of resources and/or a lack of support from top management. Many officials also express great consternation over how the media or public will react to performance measures or that

they will be used for inappropriate comparisons. In the Fall 2006 issue of *The Journal*, Professors Schiffel and Smith provided evidence that media coverage of government performance reporting was "frequent, fair and favorable."⁵ Nonetheless, the fear of the media is often the first reason managers cite for not reporting measures to the public. An additional school of thought is that performance reporting is just another fad that will pass and be replaced by some other reform or initiative.⁶

CURRENT LEVEL OF PERFORMANCE REPORTING

Given the intensity of the debate surrounding performance reporting, we questioned how much effort would be required for agencies to meet the SEA criteria. If reporting already meets the SEA criteria, or could be achieved with reasonable effort, then the concerns about performance reporting could possibly be mitigated. Information about the status of performance reporting will also be useful in setting future guidelines for quality reporting.

We collected and analyzed performance reports from the websites of

Between Current Practice AND the GASB-Suggested Criteria

200 state agencies. We chose the single document (usually PDF) that appeared to report performance measures to citizens.⁷ The 200 agencies consist of four large departments from each of the 50 states. The four departments were selected to represent a broad range of different state activities: Corrections, Education (K-12), Human Services and Transportation. We chose larger departments to increase the likelihood of having a website and having enough staff to prepare a performance report.

The AGA COA-SEA program makes use of external reviewers to evaluate the extent to which a government applies each GASB-suggested criteria. For this study, we adopted AGA's guidelines and scoring methodology.⁸

Certificate programs typically use practicing professionals as "judges," along with a central judge who is an expert in the field. Two of us have served as reviewers in the COA-SEA program. Since we have been studying and writing about performance measures for almost 15 years, we felt comfortable serving as the expert judge. We trained students in our master's programs to serve as the practitioner judges. For each report, there were two "practitioner" coders as well as

one expert coder who independently read and scored each document. Similar to AGA's review process, the three coders then met to discuss and revise their scores as needed.

Each rater marked 17 scores from zero to three for each of the AGA criteria. A score of zero represents no effort, a score of one represents some effort, a score of two represents meeting the criteria and a three is given for exceeding the criteria. The agreement among raters was always close—with a unanimous score among all three raters around 70 percent of the time and just one rater scoring only one category different around 30 percent of the time. When different, the amount was always just one point away, such as when two raters had a one, the other was either zero or two.

To receive the certificate, AGA requires that for at least 13 of the 17 suggested criteria, two of the three reviewers conclude the criterion was met, (or at least two points are assigned) and no criterion was deemed by two of the three reviewers as not met (resulting in no points). Thus, a minimum score of 30 out of a possible 51 (three times 17) is needed to qualify for the certificate. Rather than showing raw scores, we divide

each agency's score by 30—so 100 percent represents enough points to earn the certificate. A score of 100 percent does not automatically result in a certificate, but we feel it is a useful and easily understood benchmark of quality.

Of the five raw scores exceeding 100 percent, we believe two could have earned the certificate: Iowa's Department of Human Services and Kentucky's Department of Education. Curiously, neither of these state agencies applied for the program.

RESULTS

Figure 1 shows the scores for the four agencies in each state. A score of zero was given when we could not locate a report at the agency's website.⁹ The states are listed in order by their average score across all four departments. The highest score was earned by Oregon, a full 25 percentage points higher than second place Missouri. At the bottom, the lowest scoring states had several missing reports.

Figure 2 shows the averages for the four departments. The averages and range of scores across departments are very similar, though Education and Human Services are slightly

FIGURE 1: PERFORMANCE REPORTING SCORES BY STATE AND AGENCY

STATES	AVERAGE	EDUCATION	HUMAN SERVICES	PRISONS	TRANSPORTATION
OR	106%	101%	130%	98%	96%
MO	81%	77%	50%	72%	127%
IA	80%	78%	109%	82%	52%
HI	67%	92%	79%	42%	56%
LA	67%	91%	54%	58%	66%
MN	67%	73%	64%	74%	57%
CA	66%	74%	86%	49%	56%
ND	66%	56%	78%	67%	64%
WA	60%	68%	81%	22%	69%
MD	60%	56%	54%	37%	92%
NY	58%	82%	0%	68%	82%
AR	57%	64%	57%	58%	49%
FL	57%	54%	68%	59%	46%
KS	56%	70%	40%	62%	52%
NE	56%	46%	64%	50%	64%
SC	56%	0%	71%	64%	88%
TN	55%	71%	31%	63%	56%
IL	54%	67%	28%	58%	64%
ID	53%	46%	59%	63%	44%
GA	51%	64%	34%	52%	54%
AL	51%	51%	64%	39%	50%
PA	51%	59%	60%	40%	44%
OK	51%	70%	32%	46%	54%
WV	50%	87%	60%	54%	0%
OH	50%	74%	37%	46%	43%
NM	50%	39%	59%	41%	61%
MI	49%	48%	63%	34%	50%
TX	49%	56%	42%	37%	61%
IN	49%	58%	57%	29%	51%
CO	48%	53%	47%	70%	23%
NH	47%	60%	38%	49%	42%
ME	47%	51%	31%	36%	70%
AK	46%	48%	52%	34%	51%
VT	46%	34%	63%	37%	50%
WI	46%	89%	54%	1%	38%
NV	45%	20%	46%	46%	69%
MA	42%	60%	64%	44%	0%
VA	41%	46%	56%	21%	41%
WY	41%	40%	41%	47%	34%
RI	40%	42%	39%	43%	37%
SD	39%	71%	38%	24%	22%
UT	39%	58%	69%	0%	28%
KY	38%	112%	0%	39%	0%
CT	35%	53%	40%	47%	0%
NC	35%	39%	47%	53%	0%
MS	32%	0%	52%	36%	39%
AZ	30%	42%	29%	48%	0%
DE	28%	37%	29%	14%	32%
NJ	28%	0%	67%	43%	0%
MT	20%	0%	33%	47%	0%

Note: This table presents the average percentage scores each state received from researchers on COA SEA performance reporting on their websites. Researchers evaluated and scored departments of education, transportation, human services and corrections (prisons) for all 50 states. The average score is the mean of the four department scores. Results were ranked in descending order by the average score.

higher. This was a little surprising since we expected some differences, particularly in education where we anticipated more extensive and higher quality reporting due to the No Child Left Behind (NCLB) reporting requirements.

Figure 3 shows the averages for the criteria. The differences between agencies are fairly small, so we show the average across all 200 agencies. We grouped the results consistent with the AGA categories of fail, attempt, meet or exceed categories. Of note is the finding that 66 percent of states are providing some level of performance reporting and 20 percent are reporting at a level that may qualify them to meet or exceed the criteria for an AGA certificate. Widespread differences in reporting exist among the criteria, suggesting that some requirements will be easier to achieve than others.

CONCLUSIONS

We found that quality performance reporting is limited to a few departments scattered across the states, and only one state has consistently good reports in the four state departments we reviewed. In spite of the poor quality of performance reports by state agencies, we are optimistic about the evidence we accumulated. The AGA award guidelines are fairly easy to apply and differentiate between higher and lower quality performance reporting. Also, most of the agencies appear to have enough data, the report writers simply did not include enough written content. Finally, one state scored high in all four agencies and could perhaps serve as a model for other states to follow.

We were not entirely surprised by these results. We have attended many conferences on performance measurement and have talked with numerous government officials as they struggle with preparing performance reports. Our experiences indicate that a small number of people and governments have overcome a long list of barriers to produce quality reports. The vast majority of the remaining people need additional help.

Based on our findings we recommend that agencies take the following steps to move closer to the SEA criteria:

FIGURE 2: SUMMARY PERFORMANCE REPORTING SCORES BY AGENCY

DESCRIPTION	EDUCATION	HUMAN SERVICES	PRISONS	TRANSPORTATION	AVERAGE
MEAN	57%	53%	47%	47%	50%
MEDIAN	57%	54%	46%	50%	50%
STANDARD DEVIATION	0.248	0.227	0.186	0.276	0.149
MAXIMUM	112%	130%	98%	127%	106%
2ND HIGHEST	103%	109%	82%	96%	81%
MINIMUM	0%	0%	0%	0%	20%
N=0	4	2	1	8	4

Note: This table presents summary measures for each of the departments included in the study. The overall average of all of the departments is 50 percent. The row described as N=0 provides the number of states that have a score of zero in that department.

- Make performance reports easy to locate on the agency website. Many of the reports were very difficult to find.
- Attempt to address each of the criteria. Several criteria require only a few written words, yet many agencies still did not address them.

In November 2007, one of the leading universities in this field, Rutgers–Newark, hosted the first annual Public Performance Measurement and Reporting Network (PPMRN) conference. The presentation slides are available online,¹⁰ but two themes emerged related to our study. First, citizens view government as a single service provider rather than different agencies or jurisdictions, and second,

collaborative benchmarking among similar governments seems to work, but requires professional external support and two to three reporting periods to clarify measures and measurement issues.¹¹

In conclusion, we have reasons to be encouraged. We think it is very important for all parties concerned to recognize there are precious few state agencies doing quality work in performance reporting. Except for Oregon, the states fail to provide consistent quality performance information online. Oregon is by no means perfect, but it uses a model that other states may consider emulating. However, the results of this analysis of 200 state agencies and recent results from the PPMRN conference suggest that better performance improvement (not just quality reports) may not be far from reach and may be best accomplished if the efforts are coordinated by service area (such as all Corrections or Transportation) rather than a standard format within each state. ■

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FIGURE 3: SEA SCORES BY COA CRITERION

CRITERION NO.	CRITERION	FAIL (<0.67)	ATTEMPT (0.67>1.33)	MEET (1.67>2.3)	EXCEED (2.6+)
1	Purpose and scope	33%	46%	21%	--0%
2	Statement of major goals and objectives	24%	44%	++28%	++4%
3	Involvement in establishing goals and objectives	--71%	--20%	--8%	1%
4	Multiple levels of reporting	22%	43%	++33%	2%
5	Analysis of results and challenges	22%	58%	17%	3%
6	Focus on Key Measures	25%	53%	20%	2%
7	Reliable information	--77%	--13%	9%	1%
8	Relevant Measures of Results (reported PMs)	21%	45%	24%	++10%
9	Resources Used and Efficiency	42%	34%	22%	2%
10	Citizen and Customer Perceptions	--85%	--12%	--3%	--0%
11	Comparisons for Assessing performance	36%	52%	11%	1%
12	Factors Affecting Results	43%	36%	16%	++5%
13	Aggregation and Disaggregating of Information	22%	44%	++31%	3%
14	Consistency	++12%	++85%	--3%	--0%
15	Easy to Find and Access	++10%	++74%	15%	1%
16	Easy to Understand	14%	62%	22%	2%
17	Regular and Timely Reporting	++12%	++63%	24%	1%
	Average	34%	46%	18%	2%

++Represents three best scores in column
 --Represents three worst scores in column

Note: This table summarizes the SEA scores by criterion and provides the percentage of observations that were scored as fail, attempt, meet or exceed for each of the 17 criteria. Researchers classified the results from all four departments and from all 50 states into these four categories. Each observation was coded by three researchers and represents the average of the three scores. FAIL represents the average of maximum scores of zero, zero and one. ATTEMPT represents the average of one, one and two or less. MEET represents the average of two, two and three or less. EXCEED represents scores at two, three and three.

FIGURE 4: POSITIVE AND NEGATIVE FINDINGS FROM REVIEW OF PERFORMANCE REPORTING

POSITIVE FINDINGS	NEGATIVE FINDINGS
One state was consistently good across all four agencies.	Most states average below 60 percent.
AGA criteria relatively easy to apply—use of three coders really helps to obtain agreement.	Several criteria require only a few written words—yet scores are very low.
Consistency among raters was fairly high.	Very difficult to find reports online.
No insurmountable barriers to quality reporting.	There may be insufficient incentives for managers to report performance measures.

Note: This table summarizes the key positive and negative findings by the reviewers of the performance reports.

End Notes

1. Having served as reviewers for the COA-SEA program, we knew that most recipients were from cities and a few were from counties. Only one state agency, the Oklahoma Health Care Authority, had earned the award when we started collecting reports in January of 2006. We collected the reports for Corrections and Transportation during January of 2006 and the reports for Human Services and Education were collected during January of 2007. The Oregon Department of Transportation earned the Certificate for fiscal year 2006. We analyzed its report for 2005 which scored well, but not high enough to earn a Certificate.

2. Public Policy Statement of the GFOA's "Accounting, Auditing and Financial Reporting" committee, adopted June 18, 2002. Accessed at: www.gfoa.org/index.php?option=com_content&task=view&id=112&Itemid=119#Performance%20Measurement%20and%20the%20Governmental%20Accounting%20Standards%20Board%20282002%29.

3. GFOA's 1993 and 2002 "Public Policy Statements" are available at its website: www.gfoa.org.

4. The status of the project is at GASB's website www.gasb.org/project_pages/index.html.

5. Lee Schiffel and Ken Smith, "How does the Media Report on Government Performance?," *Journal of Government Financial Management*, Fall 2006, pp. 19-23.

6. In his recent book *Measuring Up 2.0*, Jonathan Walters argues, "Unlike so many management fads, performance measurement has proved to have staying power." We acknowledge that many leading thinkers share Walters' viewpoint, but we also routinely encounter public managers who believe (or hope) that performance reporting is a fad that will go away.

7. We used multiple search terms including "annual report," "performance report," "performance measures" and "accountability." We also searched the sites for each department. Rarely was the report we selected on the homepage.

8. The criteria and the scoring guide are located at AGA's website, accessed at: www.agacgm.org/performance/sea/seaguidelines.aspx.

9. In looking for reports, we erred on the side of inclusion rather than exclusion. Some of the "reports" we used were single page documents. Thus, a score of zero represents our inability to find any report that even hinted of performance measures.

10. For the citizen viewpoints, consider the presentations by Barbara Cohn Berman and Chris Hyde. <http://ppmnrn.rutgers.edu/GeneralContent.aspx?id=18&Pid=9&Pid=9>. Our results are consistent with these presentations as most agencies scored a zero on both stakeholder involvement in setting goals as well as citizen perceptions. For the benchmarking results, check out Anna Berger (South Carolina), Reagan Burkholder (New Jersey local) and Yuko Nakanishi (DEA statistical tool).

11. In prior writings, we have argued in favor of a Collaborative Benchmarking approach, especially the North Carolina model (Ken Smith, "Voluntarily Reporting Performance Measures to the Public: A Test of Accounting Reports from U.S. Cities,"

International Public Management Journal, 2004, pp. 19-48; Ken Smith and Lee Schiffel, "The Intersection of Accounting and Local Government Performance Measurement," *Public Financial Management*, 2006, edited by Howard Frank, Taylor and Francis, pp. 579-615). The insight from the PPRMN conference is that other entities were able to emulate something similar to North Carolina (especially the Berger and Burkholder presentations from note 10 above), and the development pattern is similar. It takes a few reporting cycles to work out measurement problems, then the main benefit is the improvement and learning that occurs as a result of face-to-face meetings among the managers. It may seem ironic that the performance reports are not the last step in the cycle, indeed, they seem to be the input factor that creates the questions that managers seek to answer.

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