

# Implementing Reforms in Public Sector Accounting

Susana Jorge  
Editor



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**VOLUNTARY ONLINE PERFORMANCE REPORTING  
IN THE 50 US STATES:  
ASSESSMENT OF TWO AGENCIES**

**Introduction**

In this paper, we examine voluntary performance reporting by the 50 states in the USA in two agencies each: Departments of Transportation and Departments of Corrections. The prime activity in Transportations is roads, bridge, highways and other similar functions. The prime activity in Corrections is prisons with some parole, probation and other criminal justice activities. Both departments constitute a large portion of the personnel and the budget for state governments. Governments throughout the world have been involved in performance measurement and reporting for some time, with great attention during the growth of New Public Management – NPM (Hood, 1995).

This paper fills a gap in government accounting research as it looks at a country (USA) and uses a methodology (archival) that was used in only 5% of the studies reviewed by Helden (2005). We contribute to the accounting research by providing evidence on both the level and drivers of voluntary governmental performance reporting. This study is particularly relevant since the Governmental Accounting Standards Board (GASB) is considering issuing guidance on governmental performance reporting amid significant opposition. Moreover, this paper provides a benchmark of the current status of voluntary performance reporting by state agencies. While the paper does not examine cross-national differences, the physical size and economic scope of the US States are on par with many of the countries in other studies. Since States in the US have substantial freedom to set accounting policies, we believe studies comparing different approaches and practices have the potential to be useful to other researchers and to other cross-country analyses.

Henceforth the paper is organized as follows. First, performance measurement in the U.S. is introduced. Section 2 addresses the literature review focused on the U.S. and develops the research questions and hypotheses to be tested. The study continues presenting the methodology and results (Sections 3 and 4), finalizing with a discussion section.

## 1. Performance Measurement in the U.S.

Governmental performance measurement in the United States has been in development for at least 100 years, beginning no later than the formal incorporation of the New York Bureau of Municipal Research (NYBMR) in 1907 (Williams, 2003). The earliest efforts of NYBMR were aimed at reporting to citizens and policy advocacy groups, but evolved by the 1930's towards assisting managers to "get good results out of limited resources" (Williams, 2004: 157). Recent interest in performance measurement can be traced to several efforts in the early 1990's: (a) research of the Government Accounting Standards Board (GASB) and the "It's Time Has Come" reports (Hatry *et al.*, 1990); (b) the GASB's Concept Statement No. 2 on Service Efforts and Accomplishments Reporting (1994); (c) Osborne and Gaebler's (1992) "Reinventing Government" that appeared on several best-seller lists; (d) the federal government's National Performance Review led by Vice President Al Gore (1993); and (e) international growth of New Public Management or NPM (Hood, 1995).

GASB has always considered performance measures as part of its charter. However some professional associations, such as the Government Finance Officer's Association (GFOA), have opposed GASB's efforts to standardize performance reporting. Harris (1995a) analyzes the comment letters sent to GASB regarding Concepts Statement N. 2. She notes the significant concerns of the preparer community, as often represented by the GFOA. As discussed in Smith and Schiffel (2006: 591), the GFOA formally opposed GASB's involvement in SEA Reporting in 1993 issuing a Public Policy Statement. Despite this conflict, GASB adopted Concept Statement N. 2 in 1994 and recognized "reporting of performance information as part of general purpose external financial reporting."

Following the passage of Concepts Statement N. 2, the GASB received multi-million dollar grants from the Sloan Foundation to support research and experimentation on performance reporting. GASB staff produced several reports over this time, but a required reporting standard was never proposed. In 2003, the staff issued "Reporting Performance Information: Suggested Criteria for Effective Communication" (also known as the 'Green Report' because it was printed in green ink). The GFOA once again formally opposed GASB's efforts via a Public Policy Statement.

Soon after the 2003 GASB report, the Association of Government Accountants (AGA) developed a Certificate of Excellence in Service Efforts and Accomplishments Reporting (COE-SEA) program for local government similar to one it had developed for federal government agencies. The criteria for earning the Certificate, which is also our proxy for quality performance reporting, are listed in Table 1.

Table 1 – Description of SEACOA Criteria (Continued)

Criterion N.	Title	Description
1	Purpose and Scope	The purpose and scope of the report should be stated clearly. The statement of the scope should include information about the completeness of the report in the coverage of key, major, or critical programs and services.
2	Statement of Major Goals and Objectives	The report should clearly state the major goals and objectives of the organization and the source for these goals and objectives.
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.
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.
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.
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. Therefore, an external performance report should be concise, yet comprehensive in its coverage of performance.
7	Reliable Information	The report should contain information that readers can use to assess the reliability of reported performance information.
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.
9	Resources Used and Efficiency	Reported performance information should include information about resources used or costs of services. It also could report performance information related costs to outputs or outcome (efficiency measures).
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.
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.
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.

Criterion N.	Title	Description
13	Aggregation and Disaggregation of Information	Reported performance information should be aggregated or disaggregated based on the needs and interests of the intended users.
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 reasons for the change should be noted.
15	Easy to Find and Access	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.
16	Easy to Understand	Performance information should be communicated through a variety of mediums and methods suitable to the intended user.
17	Regular and Timely Reporting	Performance information should be reported on a regular and timely basis (usually annually), The reported information should be made available as soon after the end of the reporting period as possible.

Note: The 17 criteria listed above were taken directly from the AGA COA SEA Reviewer’s Guidelines (Association of Government Accountants, 2006).

As recently as November of 2006, the question of whether performance measures belonged on GASB’s agenda was a matter of discussion for the Financial Accounting Foundation (FAF), the oversight body to GASB. The FAF confirmed that performance measures are a part of GASB’s charter and that it can move forward with setting standards in this area, should that be the result of its traditional due process. Performance reporting was added to GASB’s project agenda in April of 2007 and GASB plans to issue a ‘due process’ document in the spring of 2008.

## 2. Prior Literature and Hypotheses Development

### 2.1. Government Performance Measurement and Reporting Research in the U.S.

Research in government performance measurement in the U.S. is highly disparate and few studies address accounting issues. While government performance measurement receives great attention in the public administration literature (Harris, 1995b; Kloby and Kim, 2004) and in certain service industries such as education and healthcare, the field of performance measurement suffers from a lack of shared language and an academic disciplinary home. According to Smith and Schiffel (2006), there are at least five distinct ‘performance’ specialties which perpetuates this lack of disciplinary clarity: (1) performance *measures* (technical measurement issues); (2) performance *reporting*; (3) performance *benchmarking*; (4) performance *management*; and (5) performance *budgeting*. Similarly, Behn (2003) identifies eight different uses for performance measures, adding to the lack of clarity in the field.



As mentioned above and consistent with Helden (2005), few existing studies of U.S. government performance measurement and reporting address accounting issues. Smith and Schiffel (2006) note that with the exception of Smith (2004), almost no studies on performance measurement or reporting were published by accounting academics since 1995<sup>1</sup>. Moreover, Frank and D'Souza (2004) find a mismatch between research method and research question in their review of the progress in governmental performance measurement research since the early 1990's. They note that most public administration research uses either one-jurisdiction case studies or fixed response mail surveys. Neither of these methods provides an accurate assessment of the extent or quality of performance measurement nor whether the measures meet the cost-benefit test. Smith and Schiffel (2006) concur with the conclusions of Frank and D'Souza (2004) and call for more research by accounting researchers especially in the area of describing the extent and quality of performance reporting across all governments.

Smith and Schiffel (2006) identify six specialties within accounting that are relevant to performance measurement. The two most salient to the current project are *financial accounting* and its focus on external reporting to stakeholders with an information disadvantage and *managerial accounting* and its focus on supporting internal management in making decisions. Most recently, Gendron *et al.* (2007) make a strong argument for the importance of accounting 'practitioners' in performance measurement/management/reporting reforms. This review of the literature reveals the need for additional accounting research on U.S. governmental performance measurement and reporting.

## 2.2. Lessons from the U.S. Government Accounting Literature

Current performance reporting by local governmental agencies is mostly voluntary. A review of the governmental accounting literature focused on accounting choice and quality of financial reporting may be very useful in understanding the state of voluntary reporting of nonfinancial information. Numerous government accounting studies have addressed the question of why accounting choices are made (see Cheng, 1994 for a review of this literature). Beginning with the seminal work of Zimmerman (1977) researchers documented the intercorrelation of several economic and political measures with accounting choice. By the mid-1990's, there was consensus that accounting choice in financial reporting is an outcome of unique interrelationships in the complex political environment.

The early work of Ingram (1984) may be most useful to understanding the current voluntary state of Service Effort and Accomplishments (SEA) reporting. He developed a practice index based on the extent to which recommended practices were adopted by each state. This index was used to proxy for both quantity and quality of

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<sup>1</sup> An exception is Professors David Ammons and William Rivenbark and their colleagues at the School of Government at the University of North Carolina. They have written several articles that include issues related to cost accounting in connection with their benchmark reporting projects with cities and counties. However, Professors Ammons and Rivenbark are not in an Accounting Department at their University.

accounting disclosure. Other researchers (Robbins and Austin, 1986; Banker *et al.*, 1989; Cheng, 1992) used this index to better understand the political environment and complex linkages among social, political, and economic factors and disclosure practices. Drawing from the well developed theoretical basis in political science and public choice literature (Downs, 1957; Milbrath, 1965; Becker, 1983; and Mueller, 1989), the accounting researchers were able to identify important economic factors that affect the governmental financial accounting choice. These studies examined credit-market induced incentives (Baber, 1983; Ingram, 1984) to voluntarily disclose GAAP information, and voter monitoring (Ingram and DeJong, 1987) regarding the impact of voters on GAAP reporting. Finally, incentives of governmental accounting bureaucrats for an outward show of quality of financial reporting to signal quality management have been found to be significant to GAAP disclosure (Evans and Patton, 1983 and 1987).

In response to the considerable noise in the accounting literature concerning the relative significance of political, signaling, credit market, and size variables on the incentives of governments to use professionally endorsed accounting practices, Cheng (1994), Carpenter and Feroz (2001) and Carpenter *et al.* (2007) suggest government accounting models based on agency theory do not capture institutional and organizational pressures that constrain accounting choice in the governmental and not-for-profit sector. Cheng (1994) developed a politico-economic process model to examine financial reporting choice in terms of incentives and resources of individuals. Carpenter and Feroz (2001) employed a longitudinal cross-case study methodology and provide a rich historical context for identifying these incentives within the complex government environment. These studies argue that non-economic factors measuring organizational values, politics, and institutional norms, may have an impact on accounting choice. In summary previous research indicates that drivers of accounting choice in government financial reporting include both political and economic factors, and could also include non-economic factors.

### 2.3. Research Questions and Hypotheses Development

We are concerned with the normative question of whether GASB should require external performance reporting. Practically, this study is focused on the extent and quality of performance reporting by local governments with higher capacity, where size is a proxy for capacity. We assess whether the GASB Criteria as operationalized by the AGA's Certificate of Excellence in Service Efforts and Accomplishments reporting (COE-SEA) is a reliable and relevant indicator of quality performance reporting. We can not provide the definitive solution to GASB since we are not directly collecting evidence regarding the costs or the benefits of external performance reporting. However, we can provide insight into performance reporting challenges faced by governmental agencies. Therefore this study will focus on two research questions:

- What is the current level of voluntary reporting by state governmental agencies?
- What are the drivers of voluntary reporting by governmental agencies?

As mentioned in the previous section, accounting choice in government reporting can be drive by political factors. Following Ingram (1984) we develop an index of the

extent to which state departments of transportation and corrections are reporting on COA-SEA criteria. Given the GASB and AGA's interest in advancing the quality of nonfinancial reporting, an index calculated from the AGA's new SEA program designed to encourage state and local governments to prepare and issue high quality Service Efforts and Accomplishments Reports (i.e., performance reports) could be very useful. Therefore we will develop an index by State to test the following hypothesis:

*H1: SEA reporting results will exhibit interstate variation, but little or no intrastate variation.*

As mentioned earlier, it may be very useful to reflect on the appropriateness of the findings from the rich body of research directed at financial reporting to gain insights into the critical factors and conditions important in advancing the quality and quantity of SEA reporting. It will also be useful to determine what is different about SEA reporting so as to better inform policy makers. From previous research we expect to see variability in reporting depending on the incentives and resources of individuals. Since we do not have data at this level, we use the agency (i.e. transportation or prisons) as a proxy for incentives and resources of individuals. This approach is reflected in the next hypothesis:

*H2: SEA reporting by state departments of transportation will vary from SEA reporting by State departments of corrections.*

States are using mechanisms such as performance funding, performance reporting and 'report cards' to hold agencies accountable. In this context, accountability is about the appropriate use of state funds to meet state priorities and the importance that states attach to various activities in resource allocation. The increased attention to accountability has moved performance measurement from institutional self-responsibility for quality, with significant independence and self-determination, to a more public and evaluative arena. Measures that traditionally have been generated for use internally to improve management are now being considered for external reports. The potential for such measures to be used to evaluate and compare agencies across states adds considerable tension to the debate about what measures should be reported. The resulting link to funding and political support has also received attention among stakeholders. We believe these tensions and debates will result in variability of reporting, and that certain criteria will be reported more than others. Therefore we propose the following hypothesis:

*H3: SEA reporting from State agencies will vary by COA criterion.*

### 3. Methodology

We assume that state government agencies are of sufficient size to have resources of people and technology sufficient to implement a performance reporting system. We choose two large agencies within the states rather than the states as a whole: Corrections and Transportation. For each department, we went to the website and searched for the best single document that was a performance report to citizens. We used search terms including *performance report*, *annual report*, *statistics*, and *strategic plan*. We located reports for 48 State departments of corrections and 42 State departments of transportation. We conducted our online search during January of 2006.

We replicated the method used by AGA for coding the performance reports. Each report was coded by two ‘junior’ coders and one ‘senior’ coder. Our ‘junior’ coders are graduate students in a Masters of Business, Government and Non-profit Management program. They mirror the demographics and experience level of the ‘junior’ coders used by AGA. Our senior coder is one of the authors who had attended AGA’s training session and participated in the AGA process on multiple reports. Similar to the AGA’s senior coder, Hal Steinberg, our senior coder has more than a decade of experience with GASB’s efforts in performance reporting. This follows the AGA’s COA process where they use two reviewers from a general pool and the Director of Performance Reporting to supervise the discussion of the preliminary scores prior to issuing a final report. The discussion of the scores frequently results in unanimous scores or two scores of one level and the third score in the adjacent category (scores are 0, 1, 2 or 3 as described later).

*Variables*

The COA in SEA review guidelines suggest 17 criteria on which to evaluate an agency’s communication of performance information which are listed in Table I. The review guidelines include a detailed description of each criteria and a rubric for assigning points (Exhibit 1). An agency can receive from zero to three points on a criterion for a total of 51 available points. Each criterion represents a single characteristic that is suggested to be included in the performance report and is a variable in our study. The first seven characteristics relate to the external report on performance information. Criterion eight through 14 relate to comparisons for assessing performance. The final three criteria relate to the communication of performance information.

Exhibit 1 – AGA’s Coding Guidelines - Example

<p><b>N. 3-INVOLVEMENT IN ESTABLISHING GOALS &amp; OBJECTIVES</b> (Pages 53-56 in GASB’s Green Book)</p> <p><b>Evaluation</b></p> <p>There is no discussion of how stakeholders were involved in the creation of the organization’s goals and objectives. – 0 POINTS</p> <p>The report addresses the level and type of involvement of citizens, elected officials, management, and employees in setting the organization’s goals and objectives. It reveals that there was little or no stakeholder involvement. – 1 POINT</p> <p>The report addresses the level and type of involvement of citizens, elected officials, management, and employees in setting the organization’s goals and objectives. It reveals stakeholder involvement, to at least a limited degree. – 2 POINTS</p> <p>The report addresses the level and type of involvement of citizens, elected officials, management, and employees in setting the organization’s goals and objectives. It reveals extensive stakeholder involvement. – 3 POINTS</p>
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### *Measurement*

Six 'junior' coders were used in the measurement process. Each coder received training on the COA documentation and review guidelines. Then all coders assessed three reports to calibrate the coding. The researchers compared their results and differences in interpretation and application of the review guidelines were discussed. The researchers agreed upon a consistent approach to the measurement process. The remaining reports were independently examined, scored and then discussed among the two 'junior' and the one senior coder. Scores were modified as needed during the discussion. There were very few instances when scores were different by more than one (i.e. the three scores were often unanimous, and sometimes two coders had one score and the other score was different by an increment of just one).

### *Data*

Three researchers evaluated every state for each of the 17 suggested criteria of the COA-SEA for both the departments of transportation and corrections. The resulting dataset contains 5,100 observations (three assessments multiplied by 50 states multiplied by 17 criteria multiplied by two departments). The averages of the three assessments were used for the statistical analysis. The results on each criteria were classified into four categories: FAIL, ATTEMPT, MEETS, or EXCEEDS. These categories are based on the COA rubric which requires the examiner to code each criterion as a zero, one, two or three (Exhibit 1). According to the rubric, the examiner should give "0 points if the suggested criterion as described in the Green Book is not applied; 1 point if it is partially applied; 2 points if it is fully applied; and 3 points if the report goes beyond the suggested criterion and incorporates one or more noteworthy practices" (Association of Government Accountants, 2006).

In our analysis, the points are converted to categories. The first category FAIL occurs when the average score from the three coders was below 0.67. An average score at this level would indicate that the maximum results on the criterion from the three coders were zero, zero, and one. The second category ATTEMPT occurs when the average score was between 0.67 and 1.33 indicating that the maximum results from the coders were one, one and two. The third category MEETS occurs when the average score is between 1.67 and 2.33 indicating that the maximum results from coders were two, two, and three. Finally, the fourth category EXCEEDS occurs when the average score is greater than 2.67 indicating that the minimum results from coders were two, three, and three. After classifying the results into the four categories, we converted the scores into percentages<sup>2</sup> to more easily analyze the outcomes.

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<sup>2</sup>The percentage calculation is earned points divided by 30. The 30 represents a 'winning score' on the AGA's Certificate as they require a MEET on 13 criteria and at least an ATTEMPT on 4 criteria. Thus, (13 \* 2) plus (4 \* 1) equals 30. The results in Table 2 indicate that only one of the 100 reports (Missouri's Transportation) would have earned the Certificate.

#### 4. Results

Table 2 shows the performance scores (in percentages) by state along with the ranking of each State. Results include scores and ranking for departments of Transportation (T-Rank), departments of Corrections or Prisons (P-Rank) and combined results. The table is ordered by ranking on the combined results and shows that Missouri ranks as first with an average score of 99.4% while Utah ranks last with an average score of 13.9%. Missouri also ranked first among the departments of Transportation with a score of 127%. Several departments of Transportation tie for last place (ranked at 43) with a score of zero. Oregon ranked number one in Prisons with a score of 98%, while Utah and Wisconsin come in at last place with scores of zero.

Table 2 – Ranking of Performance Reporting Scores by State and Agency (Continued)

State	Combined Results		Transportation		Prisons		Difference Between T-Rank and P-Rank
	Overall Rank	Average Score	Score	T-Rank	Score	P-Rank	
MO	1	99.40%	127%	1	72%	4	3
OR	2	96.70%	96%	2	98%	1	1
SC	3	76.10%	88%	4	64%	8	4
NY	4	75.00%	82%	5	68%	6	1
IA	5	67.20%	52%	21	82%	2	19
MN	t-6	65.60%	57%	15	74%	3	12
ND	t-6	65.60%	64%	10	67%	7	3
MD	8	64.40%	92%	3	37%	37	34
LA	9	61.70%	66%	9	58%	13	4
IL	10	61.10%	64%	10	58%	13	3
TN	11	59.40%	56%	16	63%	9	7
KS	t-12	57.20%	52%	21	62%	11	10
NE	t-12	57.20%	64%	10	50%	19	9
NV	t-12	57.20%	69%	7	46%	26	19
ID	15	53.90%	44%	30	63%	9	21
AR	t-16	53.30%	49%	28	58%	13	15
GA	t-16	53.30%	54%	19	52%	18	1
ME	18	52.80%	70%	6	36%	40	34
CA	t-19	52.20%	56%	16	49%	20	4
FL	t-19	52.20%	46%	29	59%	12	17
NM	21	51.10%	61%	13	41%	33	20
OK	22	50.00%	54%	19	46%	26	7
HI	t-23	48.90%	56%	16	42%	32	16
TX	t-23	48.90%	61%	13	37%	37	24
CO	25	46.70%	23%	41	70%	5	36
NH	t-26	45.60%	42%	33	49%	20	13
WA	t-26	45.60%	69%	7	22%	46	39
AL	t-28	44.40%	50%	25	39%	35	10
OH	t-28	44.40%	43%	32	46%	26	6
VT	30	43.30%	50%	25	37%	37	12
AK	31	42.80%	51%	23	34%	42	19
MI	t-32	42.20%	50%	25	34%	42	17
PA	t-32	42.20%	44%	30	40%	34	4
WY	34	40.60%	34%	38	47%	23	15
IN	t-35	40.00%	51%	23	29%	44	21
RI	t-35	40.00%	37%	37	43%	30	7
MS	37	37.20%	39%	35	36%	40	5

State	Combined Results		Transportation		Prisons		Difference Between T-Rank and P-Rank
	Overall Rank	Average Score	Score	T-Rank	Score	P-Rank	
VA	38	31.10%	41%	34	21%	47	13
WV	39	27.20%	0%	43	54%	16	27
NC	40	26.70%	0%	43	53%	17	26
AZ	41	23.90%	0%	43	48%	22	21
CT	t-42	23.30%	0%	43	47%	23	20
DE	t-42	23.30%	32%	39	14%	48	9
MT	t-42	23.30%	0%	43	47%	23	20
SD	t-42	23.30%	22%	42	24%	45	3
MA	46	22.20%	0%	43	44%	29	14
NJ	47	21.70%	0%	43	43%	30	13
KY	t-48	19.40%	0%	43	39%	35	8
WI	t-48	19.40%	38%	36	1%	49	13
UT	50	13.90%	28%	40	0%	50	10
<b>AVG</b>	<b>25</b>	<b>46.68%</b>	<b>46.48%</b>	<b>24.64</b>	<b>46.86%</b>	<b>25.14</b>	<b>13.78</b>

States	Transportation Score	Corrections Score	Avg Score
Average	47%	47%	<b>47%</b>
Median	50%	46%	<b>46%</b>
Std Dev	0.28	0.19	<b>0.19</b>
Max	127%	98%	<b>99%</b>
Min	0%	0%	<b>14%</b>
N=0	8	1	<b>0</b>

Note: This table presents the average percentage scores each State received from researchers on COE-SEA performance reporting on their web sites. Researches evaluated and scored both departments of Transportation and departments of Corrections (Prisons) for all 50 States. The overall score is an average of the two department scores. Results were ranked in descending order. The table is ordered by the overall rank which is based on the average score. T-Rank is the rank order for Transportation scores and P-Rank is the rank order for Prison scores. For overall results, all tied rankings are indicated with a “t-X” with X being the tied ranking. Observations are included for both agencies and all 50 States.

Hypothesis 1 proposed that SEA reporting results will exhibit interstate variation, but little or no intrastate variation. If performance reporting is primarily driven by state-specific factors, then there should be little difference between agencies within the state. To examine this hypothesis we calculate the absolute value of the difference between T-Rank and P-Rank. If this difference was small in most or all of the States, hypothesis 1 would be supported. The results show that the opposite is true. The difference between T-Rank and P-Rank varies greatly with a minimum of one for Oregon and a maximum of 39 for Washington with an average difference of 14. Because of the variability among ranks, hypothesis 1 is not supported.

Previous research indicates that voluntary reporting varies by the incentives and resources of individuals. Using the agency variable as a proxy for incentives and resources of individuals, hypothesis 2 predicts that results for departments of Transportation will be different from results for departments of Correction. Table 3 presents scores by agency (Transportation or Prisons) and criteria. The overall averages for the agencies are similar. For Transportation 35% of the departments FAIL, 47% at ATTEMPT, 17% MEET, and only 2% EXCEED. For Prisons, 33% of the departments FAIL,

TABLE 3 – Scores by Agency and Criteria (Continued)

SEA COA Criterion	Purpose and Scope	1	2	Involvement in Establishing Goals and Objectives	3	4	5	6	7	8	9
			Statement of Major Goals and Objectives			Multiple Levels of Reporting	Analysis of Results and Challenges	Focus on Key Measures	Reliable Information	Relevant Measures of Results (reported PMs)	Resources Used and Efficiency
<b>Transportation</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	
FAIL (<0.67)	30%		26%	64%	18%	20%	28%	90%	28%	26%	
ATTEMPT (0.67>1.33)	42%		42%	22%	48%	56%	64%	8%	54%	44%	
MEET (1.67>2.33)	28%		30%	12%	32%	24%	6%	2%	10%	28%	
EXCEED (2.67+)	0%		2%	2%	2%	0%	2%	0%	8%	2%	
<b>Prisons</b>											
FAIL (<0.67)	34%		28%	90%	34%	24%	24%	78%	14%	34%	
ATTEMPT (0.67>1.33)	60%		60%	4%	56%	58%	66%	16%	64%	28%	
MEET (1.67>2.33)	6%		6%	6%	10%	12%	10%	6%	18%	34%	
EXCEED (2.67+)	0%		6%	0%	0%	6%	0%	0%	4%	4%	
Chi-Square	p=0.05		p=0.05	p=0.05	P=0.05	NotSig	NotSig	NotSig	NotSig	NotSig	NotSig



SEA COA Criterion	Citizen and Customer Perceptions	Comparisons for Assessing Performance	Factors Affecting Results	Aggregation and Disaggregating of Information	Consistency	Easy to Find and Access	Easy to Understand	Regular and Timely Reporting	AVERAGE
<b>Transportation</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>17</b>	<b>Transportation Average</b>
FAIL (<0.67)	70%	50%	42%	34%	20%	16%	16%	16%	35%
ATTEMPT (0.67>1.33)	26%	40%	40%	40%	74%	54%	74%	68%	47%
MEET (1.67>2.33)	4%	8%	16%	22%	6%	30%	8%	16%	17%
EXCEED (2.67+)	0%	2%	2%	4%	0%	0%	2%	0%	2%
<b>Prisons</b>									<b>Prison Average</b>
FAIL (<0.67)	96%	22%	42%	14%	6%	4%	6%	4%	33%
ATTEMPT (0.67>1.33)	4%	74%	46%	46%	90%	82%	74%	82%	54%
MEET (1.67>2.33)	0%	2%	8%	40%	4%	14%	18%	14%	12%
EXCEED (2.67+)	0%	2%	4%	0%	0%	0%	2%	0%	2%
Chi-Square	p=0.01	p=0.01	NotSig	p=0.05	NotSig	p=0.05	NotSig	NotSig	<b>p=0.05</b>

Note: This table contains the percentage of each of the departments that were scored as FAIL, ATTEMPT, MEET or EXCEED at each of the 17 criteria. Researchers classified the results from both the departments of Transportation and Corrections (Prisons) 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 or above.

54% at ATTEMPT, 12% MEET, and only 2% EXCEED. A closer examination of the results by level and by criterion reveals that eight of the 17 criteria are statistically different (chi square statistic of  $p < 0.05$ ). This indicates that the results do differ by agency and therefore supports hypothesis 2.

The current trends in reporting create additional tensions within the political and socio-economic environment in which government agencies report. The tensions are partly manifested in the opposition to the GASB's efforts. As predicted by hypothesis 3, we expect to see a variation in the criterion that agencies select to report on. Table 4 shows the results of our analysis by criterion. A review of this table shows considerable variation in reporting by criterion. For example, 77% of the agencies FAIL to report citizens involvement in establishing goals and objectives (criterion 3), 84% FAIL to report on the reliability of the information presented (criterion 7) and 83% FAIL to include citizen and customer perceptions (criterion 10). Similarly, 82% only ATTEMPT the minimum requirements for consistency, 74% only ATTEMPT the minimum for ease of understanding, and 75% only ATTEMPT the minimum for regular and timely reporting. On a positive note, 31% MEET reporting requirements of criterion 9 (resources used and efficiency), 31% also MEET the requirements for reporting the aggregation and disaggregation of information, and 22% MEET requirements of criterion 15 (easy to find and access). The analysis supports hypothesis 3 by demonstrating that certain criterion are reported more than others.

TABLE 4 – SEA Scores by COA Criterion

Criterion N.	Criterion	FAIL (<0.67)	ATTEMPT (0.67>1.33)	MEET (1.67>2.33)	EXCEED (2.67+)
1	Purpose and scope	32%	51%	17%	*0%
2	Statement of major goals and objectives	27%	51%	18%	**4%
3	Involvement in establishing goals and objectives	**77%	*13%	9%	1%
4	Multiple levels of reporting	26%	52%	21%	1%
5	Analysis of results and challenges	22%	57%	18%	**3%
6	Focus on Key Measures	26%	65%	8%	1%
7	Reliable information	**84%	*12%	*4%	*0%
8	Relevant Measures of Results (reported PMs)	21%	59%	14%	**6%
9	Resources Used and Efficiency	30%	36%	**31%	**3%
10	Citizen and Customer Perceptions	**83%	*15%	*2%	*0%
11	Comparisons for Assessing performance	36%	57%	*5%	2%
12	Factors Affecting Results	42%	43%	12%	**3%
13	Aggregation and Disaggregating of Information	24%	43%	**31%	2%
14	Consistency	13%	**82%	*5%	*0%

Criterion N.	Criterion	FAIL (<0.67)	ATTEMPT (0.67>1.33)	MEET (1.67>2.33)	EXCEED (2.67+)
15	Easy to Find and Access	*10%	68%	**22%	*0%
16	Easy to Understand	*11%	**74%	13%	2%
17	Regular and Timely Reporting	*10%	**75%	15%	*0%
	<b>Average</b>	<b>34%</b>	<b>50%</b>	<b>14%</b>	<b>2%</b>

\*\* Indicates the highest scores.

\* Indicates the lowest scores.

Note: This table summarizes the SEA scores by criterion. This table contains the percentage of each of the departments that were scored as FAIL, ATTEMPT, MEET or EXCEED at each of the 17 criteria. Researchers classified the results from both the departments of Transportation and Corrections (Prisons) 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 or above. The average results from the two departments were computed on each criterion. The data summarized in this manner demonstrates trends in the reporting.

### Discussion and Conclusion

In this study, we have examined performance reporting of state departments of Transportation and Corrections (prisons). We evaluated the reporting of all 50 states using the COA-SEA criteria suggested by the GASB, and the guidelines developed by AGA. From this we were able to develop a methodology and an index that measured the extent of performance reporting by the agencies. We conclude that performance reporting, while largely not driven by the state variable, does vary by agency and criteria. This study contributes to the both the public administration literature and accounting research on government performance reporting by providing insight into the level, quality, quantity and drivers of government performance reporting.

Overall, our results suggest that voluntary reporting is increasing, albeit with significant variance. While there are only two states reporting at a level close to preparing winning reports (Missouri and Oregon), there are also visible examples of performance measurement among many different states. We conclude that the criteria appear reasonably relevant and reliable indicators of quality reporting. We also conclude that there are no insurmountable technical issues with preparing an award-winning report.

Thus, it appears that GASB’s decision to require performance reporting hinges on the question of costs vs. benefits. Our review suggests that most states have the underlying data to prepare award-winning reports. Many of the criteria that were weak involved ‘writing about’ the performance measures, rather than problems with the measures themselves. Given that many agencies appear to have the capacity for external performance reporting (perhaps a much smaller capacity requirement than for a full-scale internal management system), gathering additional evidence on the

costs/benefits as well as incentives/disincentives for voluntary reporting becomes almost urgent.

We believe the cost/benefit test really has a different threshold if the primary purpose or audience is internal vs. external (Behn, 2003). By definition, required external reporting gives information to users that otherwise would not have that information. We assume that this information provides benefits to external users, a benefit that will not exist if performance measures are only used internally. Thus, the cost-benefit threshold for external reporting may not be as high as some have asserted.

Since we did not explicitly collect evidence regarding costs/benefits, we hesitate to provide a strong opinion regarding the policy decision faced by GASB. We are comfortable, however, in saying that our examination of these 100 reports did not give us any reason to expect that implementation costs will be higher than the opponents have feared. Also, we do not see any indication that the possible benefits from quality reporting are unattainable. Thus, we encourage GASB to make a decision based on evidence – and our evidence is that we find no insurmountable barriers to quality performance reporting, subject to the costs/benefit test.

Future research on service efforts and accomplishments reporting should expand to other local jurisdictions like cities, counties, school districts, special districts, etc. as well as to federal agencies. Cross-national comparisons would also be useful since performance reporting is required in many parts of the English-speaking world such as the United Kingdom, Canada, New Zealand and Australia.

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