



SPECIAL REPORT SUMMARY

Reporting Performance Information: Suggested Criteria for Effective Communication

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**GOVERNMENTAL ACCOUNTING
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Reporting Performance Information: Suggested Criteria for Effective Communication

The GASB special report describes a set of sixteen suggested criteria that state and local governments can use when preparing external reports on performance information. The report is the result of work performed as part of the continuing GASB research project on service efforts and accomplishments (SEA) that is funded in part through a grant from the Alfred P. Sloan Foundation.

The suggested criteria set forth in the special report provide a basis for more extensive experimentation with the external reporting of service efforts and accomplishments (also referred to as performance information) that will communicate relevant, reliable information about the results of government programs and services to elected officials, citizens, and other users. Over the next few years, the GASB plans to actively encourage and assist with experimentation using the suggested criteria.

To obtain a free copy of the special report, visit the Performance Measurement for Government (PMG) website at www.seagov.org or call 1-800-748-0659.

OVERVIEW OF THE SPECIAL REPORT

The special report provides guidance to state and local governments on what they can do to produce effective reports on performance.

The chapters in the special report set forth the suggested criteria and present information on the history of performance reporting, an overview of the managing for results (MFR) concept, accountability and citizen engagement, the process used to develop the suggested criteria, good practices, and

a call for experimentation with the suggested criteria. Chapter summaries are provided below as well as information about the suggested criteria and how to obtain more information about them.

CHAPTER DESCRIPTIONS

Chapter 1 provides an introduction to the special report, including its purpose and an overview of what is included.

Chapter 2 briefly explains the history of performance reporting as it relates to the suggested criteria. It traces the history from the 1970s and 1980s through the efforts of many researchers to the development of the MFR process in the 1990s.

Chapter 3 describes one approach to the MFR process in sufficient detail to allow readers to gain a basic understanding of MFR and how it relates to the suggested criteria. MFR is a process that integrates strategic and program planning, budgeting, operational management, program evaluation, and both internal and external reporting of performance measures in a way that links directly to what the organization wants to accomplish.

Chapter 4 expands on the discussion of governmental accountability and also discusses citizen engagement in government. Overall, it emphasizes citizen involvement as an essential element of the effective communication of performance information.

The suggested criteria are largely the result of lessons learned from studying state and local governments' use of performance measures for budgeting, management, and reporting; discussions with groups of citizens; information received from the GASB's SEA task force; discussions with preparers of SEA reports; and research about criteria used by other types of organizations and in other countries. Chapter 5 describes the iterative process used to transform the "lessons learned" into

the special report's suggested criteria for performance reporting.

Chapter 6 divides the suggested criteria into three broad topical areas: (a) the external report on performance information, (b) how to decide what performance information to report, and (c) communication of performance information. The chapter also provides a description of each criterion, the purpose of each, and the rationale behind its selection. Descriptions of each criterion are designed to help governmental entities prepare a performance report that effectively communicates the results of its services and programs to its citizens and other users. Rationale supporting each criterion comes from citizens and other users, GASB Concepts Statements and research reports, and the work of some of the organizations actively engaged in performance measurement and reporting. Chapter 6 ends with a discussion of how to apply each criterion and includes several examples of how each might be implemented.

To supplement the suggested criteria, Chapter 7 describes other "good" practices that governments might use in their external performance reporting. These good practices were judged to be not sufficiently developed and tested to determine whether they warranted being included as suggested criteria. However, these good performance practices do represent ideas that could make a report on performance information more effective.

Chapter 8 concludes with a call for continued experimentation with the external reporting of performance information. The GASB recognizes that experimentation will not be without its challenges and that performance reporting has its limitations. Nevertheless, advancement will occur only when governments experiment. Chapter 8 therefore explains how governments can become involved in the next step of performance reporting by experimenting with the suggested criteria that are described in Chapter 6.

THE SUGGESTED CRITERIA

As noted earlier, the sixteen criteria are arranged in three broad categories. The criteria are presented in logical sequence, not in order of importance. Discussion of each criterion includes a brief statement of the criterion and its purpose. The suggested criteria include a statement of the criterion, its purpose, a description, the rationale for its inclusion, how the criterion can be applied, and examples from current reports. The examples are taken from recent SEA reports of thirty-two state and local governments from different geographic regions—twenty-eight in the United States and four from other countries. Only the criterion and its purpose are presented in the summary booklet.

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.

Purpose: The purposes of this criterion are (1) to inform users of the intent of the report and (2) 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.

Purpose: The purposes of this criterion are (1) to provide users with the goals and objectives that have potential decision-making or accountability implications for the organization being reported and (2) to identify the origin or source of the goals and objectives so users can determine how the organization established them.

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.

Purpose: The purposes of this criterion are to provide information that will help users (1) identify who has been involved in establishing goals and objectives, (2) determine the extent of that involvement, and (3) 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.

Purpose: The purpose of this criterion is to allow specific users to find the appropriate and desired

level of detail 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.

Purpose: 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.

Purpose: 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.

Purpose: 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.

Purpose: The purposes of this criterion are (1) to ensure that reported performance measures reflect the organization's goals and objectives and (2) 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.

Purpose: The purposes of this criterion are (1) to ensure that a more complete view of the results of programs and services is provided, and (2) 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.

Purpose: 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.

Purpose: 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.

Purpose: The purpose of this criterion is to provide performance information that (1) is not misleading because it obscures or is not representative of true performance and (2) 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.

Purpose: The purposes of this criterion are to allow users (1) to compare an organization's performance from period to period, (2) to better understand, and be familiar with, the organization's performance over time, and (3) 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.

Purpose: The purposes of this criterion are (1) to

ensure that a broad group of potential users are aware that performance reports are available and (2) 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.

Purpose: 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.

USING THE SUGGESTED CRITERIA

Initially, governments likely will not be able to meet all of the suggested criteria. This should not discourage them from using the criteria as a basis for developing their report. They simply should state the degree to which they were unable to meet certain criteria. What is most important is that organizations begin the process of performance reporting, that a set of criteria be used as a basis for that reporting so that users of performance reports understand what is and is not included in the report, and that the organization be committed to continually improving the reporting of performance information.

NEXT STEPS

As noted earlier, over the next several years, the GASB plans to actively encourage and assist with

experimentation using the suggested criteria, analyze users' responses to performance reports, provide guidance and explanation on how to use the suggested criteria, assess whether performance information that is reported using the suggested criteria leads to effective communication, report on the results of experimentation using the criteria, and make a staff recommendation to the Board on whether to add a project on guidelines for reporting performance information to its active agenda.

The GASB appreciates the willingness of state and local governments to participate in the GASB's ongoing research into the use of, effects of using, and reporting of performance information.

ADDITIONAL INFORMATION

To obtain a free copy of the special report or to request additional information, visit the PMG website at www.seagov.org or the GASB website at www.gasb.org, or call the GASB Order Department.

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