

NO. 20-2 | JUNE 30, 2009

Proposed
Suggested Guidelines for
Voluntary Reporting

SEA Performance Information

Written comments should be addressed to:

Director of Research and Technical Activities
Project No. 20-2

Comment Deadline: October 30, 2009



SUGGESTED GUIDELINES FOR VOLUNTARY REPORTING REQUEST FOR WRITTEN COMMENTS

Deadline for submitting written comments: October 30, 2009

Requirements for written comments. Comments should be addressed to the Director of Research and Technical Activities, Project No. 20-2, and emailed to director@gasb.org or mailed to the address below.

OTHER INFORMATION

Public hearing. The Board has not scheduled a public hearing on the issues addressed in this proposal.

Public files. Written comments will become part of the Board's public file and will be available for inspection at the Board's offices. Copies of those materials may be obtained for a specified charge.

Orders. Any individual or organization may obtain one copy of this proposal on request without charge until October 30, 2009, by writing or phoning the GASB Order Department. For information on prices for additional copies and copies requested after October 30, please contact the Order Department. The document also may be downloaded from the GASB's website at www.gasb.org/exp.

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GASB publications also may be ordered at www.gasb.org.

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Notice to Recipients

The Governmental Accounting Standards Board is responsible for developing standards of state and local governmental accounting and financial reporting and other accounting and financial reporting communications that will (1) result in useful information for users of financial reports and (2) guide and educate the public, including issuers, auditors, and users of those financial reports.

The due process procedures that we follow before issuing our standards and other communications are designed to encourage broad public participation in the process. As part of that due process, we are issuing this Proposed Suggested Guidelines for Voluntary Reporting, *SEA Performance Information*.

We invite your comments on all matters in this proposal. Because the proposed suggested guidelines may be modified before a final document is issued, it is important that you comment on any aspects with which you agree as well as any with which you disagree. To facilitate our analysis of comment letters, it would be helpful if you explain the reasons for your views, including alternatives that you believe we should consider.

All responses are distributed to the Board and to staff members assigned to this project, and all comments are considered during the Board's deliberations leading to a final document. When the Board is satisfied that all alternatives have adequately been considered and modifications, if any, have been made, a vote is taken on the document. A majority vote is required for adoption.

SUMMARY

The primary purpose of a government is to help maintain and improve the well-being of its citizens by providing services. A government's efficiency and effectiveness in providing those services is an important part of its performance. In order to report vital aspects of governmental performance to citizens, elected officials, and other interested parties (collectively referred to as "users"), information is needed about (1) the acquisition and use of financial and nonfinancial resources and (2) the service efforts and accomplishments (SEA) of the government. SEA reporting provides more information about a government's performance than can be provided by traditional financial statements.

The results of the Governmental Accounting Standards Board's (GASB) extensive research and monitoring indicate that it is appropriate at this time for the GASB to consider setting forth conceptually based suggested guidelines for voluntary reporting of SEA performance information. However, it is beyond the scope of the GASB to establish the goals and objectives of state and local government services, specific nonfinancial measures or indicators of service performance, or standards of, or benchmarks for, service performance.

The proposed suggested guidelines for voluntary SEA reporting are composed of the essential components of an effective SEA report, qualitative characteristics representing the attributes SEA performance information needs to possess, and a discussion of how to effectively communicate SEA performance information. The four essential components are **purpose and scope, major goals and objectives, key measures of SEA performance, and discussion and analysis of results and challenges**. The six qualitative characteristics, as set forth in Concepts Statement No. 1, *Objectives of Financial Reporting*, are **relevance, understandability, comparability, timeliness, consistency, and reliability**.

The proposed suggested guidelines for voluntary SEA reporting were developed after considering the 16 suggested criteria presented in the GASB staff's Special Report, *Reporting Performance: Suggested Criteria for Effective Communication*, which was issued in 2003. The GASB also considered the results of experimentation efforts by governments with those suggested criteria and oral and written feedback received on a Request for Response, *Suggested Guidelines for Voluntary Reporting of SEA Performance Information*, issued in July 2008, as well as the various approaches used by state and local governments in the United States and other countries in reporting SEA performance information.

This document is intended to solicit public comments on proposed suggested guidelines for voluntary reporting of SEA performance information. Details regarding how to provide comments can be found in the Request for Written Comments and Notice to Recipients at the front of this document.

The Expected Benefits of the Proposed Suggested Guidelines for Voluntary Reporting

This document was developed to provide state and local governments with suggested guidelines for voluntary reporting of SEA performance information to users. These suggested guidelines provide a common framework for the effective external communication of SEA performance information that will:

- Assist users in assessing governmental accountability and making economic, social, and political decisions
- Assist governments in demonstrating their accountability and stewardship over public resources.

Traditional financial statements provide financial performance information about a government's fiscal and operational accountability. However, those statements do not provide all of the information necessary to determine the degree to which the government was successful in helping to maintain or improve the well-being of its citizens by providing services. SEA reporting that follows the suggested guidelines would assist governments in providing this information.

Proposed
Suggested Guidelines for
Voluntary Reporting

SEA Performance Information

June 30, 2009

Governmental Accounting Standards Board
of the Financial Accounting Foundation
401 Merritt 7, PO Box 5116, Norwalk, Connecticut 06856-5116

Proposed

Suggested Guidelines for Voluntary Reporting

SEA Performance Information

June 30, 2009

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Proposed

Suggested Guidelines for Voluntary Reporting

SEA Performance Information

June 30, 2009

INTRODUCTION

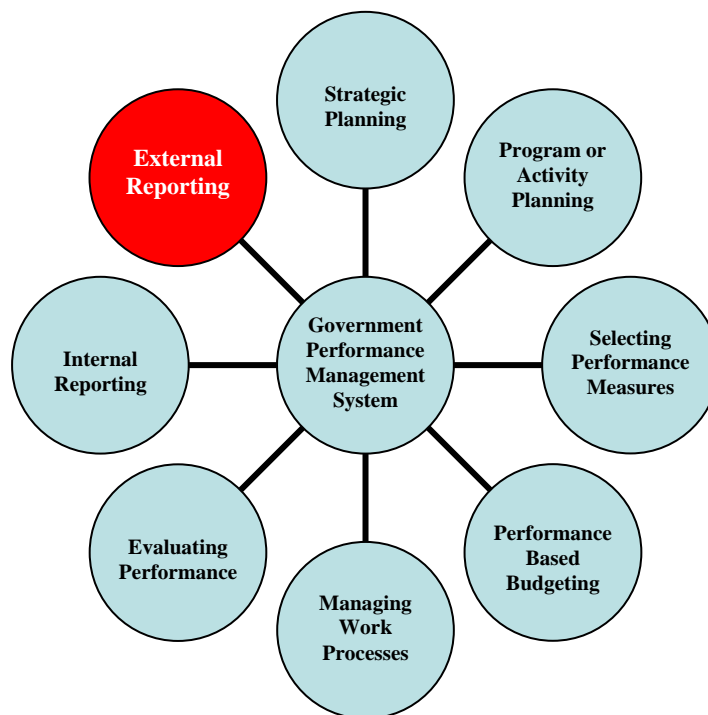
1. Service efforts and accomplishments (SEA) reporting is a form of general purpose external financial reporting that assists governments in meeting their responsibility to be publicly accountable. The objective of SEA reporting is to assist citizens, elected officials, and other interested parties (collectively referred to as “users”) in assessing the performance of services provided. SEA reporting provides more information about a government’s performance than can be provided by traditional financial statements. SEA reporting is intended to include information about the services provided and the effect of those services to assist users in assessing how well the government is achieving its goals and objectives.

SUGGESTED GUIDELINES FOR VOLUNTARY REPORTING

APPLICABILITY

2. There are several models of government performance management systems; however, the more common processes within these models are illustrated in Figure 1. The sole focus of these suggested guidelines is external reporting of SEA performance information. This external reporting is referred to as SEA reporting.

Figure 1. GOVERNMENT PERFORMANCE MANAGEMENT SYSTEM



3. Although the GASB's role includes the external reporting of SEA performance information, it is beyond the scope of the GASB to establish the goals and objectives of state and local government services, specific nonfinancial measures or indicators of service performance, or standards of—or benchmarks for—service performance.¹

4. The suggested guidelines, including both the *essential components of SEA reports* and the *qualitative characteristics of SEA performance information*, are primarily intended to be used in preparing external SEA reports issued separately from other annual financial reports. However, there is a relationship between the information in an SEA report and the information within other financial reports that needs to be acknowledged within the SEA report. Such SEA reports represent only one form of SEA reporting. Selected measures of SEA performance information may be included in other types of

¹Concepts Statement No. 2, *Service Efforts and Accomplishments Reporting*, as amended, paragraph 2.

reports. SEA performance information may be expanded upon, condensed, extracted, or narrowly focused (for example, within a budget, popular report, or other financial document). In these cases, the application of one or more of the essential components or qualitative characteristics may not apply because of the differing objectives and formats of other types of reports. However, the application of these guidelines, where appropriate, also would enhance the effective communication of SEA performance information in other types of reports.

ESSENTIAL COMPONENTS OF SEA REPORTS

5. The essential components that set forth the types of information an effective SEA report needs to contain in order to provide users with information that will assist them in assessing the efficiency and effectiveness of government services are as follows:
 - a. Purpose and scope
 - b. Major goals and objectives
 - c. Key measures of SEA performance
 - d. Discussion and analysis of results and challenges.

Purpose and Scope

Effective SEA reports state their purpose and scope.

6. An effective SEA report includes a statement of purpose describing why a government is publishing the report, the intended audience of the report, what the reported SEA performance information is intended to communicate, and how the reported information can assist users in assessing performance and making decisions. The statement of purpose also may describe how the reported SEA performance information can be used by citizens and other users to assess whether the government has operated in an efficient and effective manner. Finally, a statement of purpose also may describe how SEA performance information may be used for assessing resource allocation decisions of the government and whether the decisions are consistent with their goals and objectives.

7. An effective SEA report includes a statement of scope describing what organizational units (for example, departments, agencies), programs, or services are included, the reasons they were chosen for inclusion, the period covered by the report, the date the report was issued, and ways to contact the government in order to obtain more information. The statement of scope also identifies the level of detail of the information in the SEA report—for example, at an overview level of a city as a whole or at a more detailed level by neighborhood—and the reasons a government has decided to report at that level. In certain instances, the period covered by the report may differ for various programs. For users to assess the degree of reliability of the SEA performance information, the statement of scope also may need to discuss what level of assurance, if any, was obtained on SEA performance information.

8. The statement of scope includes the rationale for the inclusion of specific organizational units, programs, or services. A government needs to compare the costs

and benefits of reporting SEA performance information when choosing which organizational units, programs, or services to include in an SEA report. For instance, a government may want to include information on all major programs providing services directly to citizens. However, the scope of the report may cover only key, major, or vital programs; for example, the report may encompass the largest programs that combine to represent 75 percent of a government's total expenditures. Key, major, or vital programs also may be defined as those that management (or elected officials or citizens) considers to be of significant importance to the community, regardless of their size. A government also needs to disclose whether the report includes information about all programs contributing to the government's top-priority outcomes or strategic goals (as may be documented in a strategic plan).

9. If information is reported in multiple levels of detail, then the statement of scope needs to communicate that fact, the reason for the various levels presented, and what programs and services are included at different levels of detail. For example, a government may distribute broadly a brief overview of SEA performance information with directions regarding where to obtain more detailed information.

Major Goals and Objectives²

Effective SEA reports state the major goals and objectives of the programs and services being reported or what those programs or services are intended to accomplish. Effective SEA reports also state the sources of the major goals and objectives and explain the link between the major goals and objectives and the measures being reported.

10. The goals and objectives of a government are the building blocks of performance management and reporting. Generally, goals are statements of what a program is striving to achieve in the long term, and objectives are statements of what a program expects to achieve within a defined, shorter period. Preferably, objectives are quantifiable and measurable, in order to be compared to what a government expects to achieve (such as an established target). The achievement of objectives provides an indication of progress towards the long-term realization of goals. It is important to distinguish between the government-wide goals and objectives and the goals and objectives of individual programs and services. Some governments establish goals and objectives of individual programs and services to further the goals and objectives at the government-wide level. These governments need to articulate how the goals and objectives of individual programs and services relate to the goals and objectives at the government-wide level, if a relationship exists.

11. An effective SEA report includes the sources of the goals and objectives or the sources of what programs or services are expected to achieve. If a government does not have formal statements of goals and objectives, then program or service intent or purpose might be identified from the strategic plan, the mission, a program plan, or the budget. If

²In this document, the phrase *goals and objectives* is used to refer to both statements of major goals and objectives and statements of what the programs are intended to accomplish. The term *target* also is used within some performance management systems, instead of the term *goal* or *objective*.

these sources of information are not available, other feasible methods for identifying reportable goals and objectives include reviewing the service being provided (outputs) and determining the reason for the service and what it is trying to achieve.

12. The inclusion of information about major goals and objectives provides a basis for assessing (a) the degree of achievement of the intended results of programs and services and (b) whether the indicated purpose of a program or service is consistent with what users believe is important. In certain instances, statements of goals and objectives also may be presented in the form of targets for the delivery of a program or service.

13. An effective SEA report explains the link between the measures being reported, the programs and services being delivered, and the major goals and objectives. Goals and objectives set forth what the programs and services intend to achieve, while SEA performance measures provide indicators of the level of accomplishment of those goals and objectives.

14. In many SEA reports, goals and objectives are the organizing principle; therefore, the statistical and narrative information presented needs to be grouped based on this hierarchical structure. However, depending on user needs, SEA performance information may be presented in other ways, such as by themes, which require governments to integrate results across the organizational structure.

Key Measures of SEA Performance

Effective SEA reports focus on key measures, providing a basis for assessing the performance of the programs and services being reported and the achievement of major goals and objectives.

15. An effective SEA report contains a limited number of measures in order to focus on information that is essential for assessing the level of performance of a government's programs and services in comparison to what it had planned to achieve. The use of key measures within an SEA report would provide users with enough information to develop their own conclusions about important aspects of a government's performance without overwhelming them. The number and type of key measures reported may vary depending on the level of reporting, with additional measures included at more detailed levels of reporting.

16. The key measures provide information about the level of achievement of the major goals and objectives of the programs and services included in the SEA report. Key measures to be reported can be identified based on the following questions, which are not meant to be all-inclusive:

- a. Does the measure report on results for a major goal or objective?
- b. Does the measure address an issue receiving considerable public discussion?
- c. Does the measure report information considered important by elected officials, citizens, or experts in the field?
- d. Does the measure report information about a program or service that accounts for a large proportion of a government's use of resources?

- e. Does the measure report information about a program or service that affects a large proportion of the population or has potentially significant economic, social, or environmental effects?

17. There are three broad elements of SEA performance measures identified in Concepts Statement No. 2, *Service Efforts and Accomplishments Reporting*, as amended: (a) those measuring service efforts (inputs), (b) those measuring service accomplishments (outputs and outcomes), and (c) those relating service efforts to service accomplishments (efficiency and cost–outcomes). An SEA report is most effective when it includes measures from each of the three elements. Including measures from only one or two elements may not provide users with sufficient information to assess SEA performance.

18. Figure 2 provides definitions and examples of these elements of SEA performance measures.

Figure 2. ELEMENTS OF SEA PERFORMANCE MEASURES

Elements of SEA Performance Measures	Definition	Example
Measures of service efforts		
Input measures	Measure the amount of financial and nonfinancial resources applied to a service	Financial—cost of road maintenance Nonfinancial—total lane-miles of roads used in providing a service
Measures of service accomplishments		
Output measures	Measure the quantity of services provided; a quality requirement may be included	Number of lane-miles of road repaired or the number of lane-miles of road repaired to a certain minimum satisfactory condition
Outcome measures	Measure the results associated with the provision of services; may include measures of public perceptions of results	Percentage of roads in good or excellent condition, or the residents' rating of the smoothness of the roads
Measures relating service efforts to service accomplishments		
Efficiency measures	Measure the resources used per unit of output, or the cost per unit of output	Cost per lane-mile of road maintained or, more specifically, resurfaced or seal-coated
Cost–outcome measures	Measure the resources used per unit of outcome or result, or the cost per unit of outcome or result	Cost per lane-mile of road maintained in good or excellent condition

19. When considering the selection of SEA performance measures, outcome measures may be divided into several types, such as:

- a. Measures of results occurring soon after a service is provided versus those occurring later
- b. Measures of results that indicate progress toward desired end results but are not themselves final outcomes
- c. Measures of the level of achievement of desired end results.³

³Concepts Statement 2, as amended, paragraph 52.

20. Key measures that are reported need to be supported by comparisons that assist in assessing SEA performance. Key measures can be compared internally against a government's own SEA performance over time, or against internally established targets. Comparisons also can be made with information disaggregated by region, geographic area, neighborhood within the government, or economic or demographic characteristics. External comparisons can be made to the SEA performance of other governments providing similar programs and services. Care needs to be taken in presenting comparisons with other governments to ensure that the reported information is comparable, the government operates in a similar environment, and information for the SEA performance measures is collected in a reliable manner. If there are questions about the comparability of information from other governments, either no comparison needs to be made or sufficient explanation needs to be provided.

21. In order to ensure a more complete view of the results of programs and services and present results to complement the other measures of SEA performance, key measures may, where appropriate, include citizen and customer perceptions of the quality of and satisfaction with the results of major and critical programs and services.

22. Reported SEA performance information needs to strike a balance between being (a) concise enough to be readable and (b) comprehensive and objective enough in its coverage to provide important results, whether positive or negative. The use of several levels of reporting may assist in achieving this balance by allowing more concise presentations at higher levels and more comprehensive coverage at more detailed levels. To the degree feasible, an SEA report also needs to present the SEA performance information that users consider to be most important.

Discussion and Analysis of Results and Challenges

Effective SEA reports include a discussion and analysis of results and identify the challenges facing the government in achieving its desired results.

23. An effective SEA report includes a discussion and analysis of results by a government's management. A narrative discussion of results needs to provide an objective explanation of the results being reported. This discussion highlights the major and critical results being reported, together with management's understanding of the reasons why the actual results differ from the expected or intended results.⁴ The highlighted results need to present a balanced view, including both positive and negative aspects of a government's performance. The discussion also needs to address currently known facts and circumstances that could affect results in the future.

24. An effective SEA report objectively discusses the major challenges a government is facing in achieving its goals and objectives. These major challenges may have been identified during the reporting period or between the end of the reporting period and the

⁴While it is ideal that management prepare the discussion and analysis of results and challenges, an SEA report may be prepared under circumstances in which it is not possible to obtain a discussion and analysis from management. In these cases, such as the preparation of an SEA report by an audit organization within the government, although the SEA report may still effectively report on the results of the government, it should be clearly indicated that the discussion and analysis is not management's representation of results and challenges.

completion date of the SEA report. The consequences (intended or unintended) and the results (positive or negative) of providing services also need to be discussed. These consequences may not be directly associated with the stated goals and objectives of a government and may not be anticipated.

25. Similar to the key measures of SEA performance components, the discussion and analysis of results and challenges needs to strike a balance between being concise and comprehensive. To the degree feasible, the discussion and analysis also needs to focus on the information that users consider to be important.

26. There also are external and internal factors, besides the program or service itself, that influence SEA performance. Including information about these factors will help users to understand how both external and internal influences can affect results. These factors may include (a) budget and operational constraints; (b) economic, social, and demographic conditions; and (c) actions of other organizations. The inclusion of these factors, when identified, may be accompanied by a discussion of how the factors influence results (both positively and negatively), whether anything is being done to address the factors, and any changes in the factors that might affect future results. A brief discussion of the difficulty in understanding the underlying causes of results may assist users to realize that the definitive cause-and-effect relationships between services provided and results achieved are often not available. Even if those relationships are available, they may be tenuous.

QUALITATIVE CHARACTERISTICS OF SEA PERFORMANCE INFORMATION

27. The essential components set forth previously represent the types of information presented in an effective SEA report. However, there also are qualitative characteristics that represent the attributes that the information contained in an SEA report needs to possess in order to effectively communicate performance to users.

28. The six qualitative characteristics presented are as follows:

- a. Relevance
- b. Understandability
- c. Comparability
- d. Timeliness
- e. Consistency
- f. Reliability.

29. As a practical matter, reaching an appropriate balance between the qualitative characteristics is necessary. For example, there often is a trade-off between the degree of reliability and the relevance of SEA performance information within a report; however, there may be a point beyond which some trade-offs would not be considered acceptable. It would not be appropriate if, as a result of making trade-offs, the SEA performance information was no longer reliable.

30. If selected SEA performance information is published in reports other than separately issued SEA reports, then the information often is expanded upon, condensed, extracted, or narrowly focused. In these cases, all six qualitative characteristics need to be considered, but some may not apply because of the differing objectives and formats of the other types of reports.

Relevance

Effective SEA reports include information capable of making a difference in a user's assessment of performance.

31. In order for the information presented within an SEA report to be relevant, it needs to have a close logical relationship to the purpose for which it is intended to be used. Information is relevant if it is capable of making a difference in a user's assessment of a problem, condition, or event. The relevance of SEA performance information depends on the needs of various users for assessing performance and making decisions. For example, it may be important to consider the appropriate level of aggregation or disaggregation necessary to represent the performance of different geographic areas or demographic groups in order to provide information that users find more relevant. Relevance also influences, or may be influenced by, many of the other qualitative characteristics. For example, if the information provided in an SEA report is not timely or consistent, then it may not be as relevant to users. However, in some cases, the time required to obtain the most relevant information may negatively affect the timeliness of the report.

32. SEA performance information is a representation of performance and includes a broad variety of measures, as detailed in Figure 2. SEA performance information needs to cover the major goals and objectives of the programs and services being reported on, while maintaining a focus on key results so as not to overwhelm users with more information than can be used. In order to provide a broad picture of performance, it is important for all elements of relevant SEA performance measures to be included.

33. The relevance of information related to the unintended consequences of providing services needs to be considered in SEA reporting. These unintended consequences may not be directly associated with the stated goals and objectives of a government and may not be anticipated, but they may be relevant to overall government performance.

34. When preparing an SEA report, determining if information is relevant can be based on the following questions, which are not meant to be all-inclusive:

- a. Does the SEA performance information present the major goals and objectives of the programs and services being reported?
- b. Does the SEA performance information provide a basis for assessing the level of accomplishment of the major goals and objectives?
- c. Do the major goals and objectives relate to concerns that are important to users?

Understandability

Effective SEA reports communicate SEA performance information in a readily understandable manner and include explanations and interpretations to help users comprehend the information.

35. In order for the information presented within an SEA report to be understandable, it needs to be expressed simply and clearly. Users have different purposes for reviewing SEA performance information, as well as different interests, needs, and levels of understanding, education, and public involvement. Governments, therefore, need to obtain feedback from actual or potential users of an SEA report in order to enhance the understandability of reported SEA performance information. It also is important to communicate SEA performance information in different forms and at different levels of detail so that the information can be understood by those who may not have a detailed knowledge of a government's programs and services.

36. Developing an SEA report that communicates effectively and understandably to external audiences may depend on (a) the manner in which SEA performance information is presented, (b) the users' ability to comprehend the information, (c) the users' knowledge of a government's programs and services, and (d) the users' willingness to study and analyze the information with reasonable diligence.

37. The manners of presentation commonly used in SEA reports include charts and tables with numeric measures of SEA performance, graphs showing the relationships between two or more pieces of data, and objective narrative descriptions of results. Tables, charts, or graphs can be used to enhance understandability by showing many different types of comparisons, such as to targets, previous periods, citizen feedback, or other governments.

38. A major challenge in the application of this qualitative characteristic is addressing the complexity and volume of information that exists. In order to present SEA performance information simply and clearly, the government needs to be selective about what to include in the SEA report.

39. Users may seek a variety of measures of SEA performance to analyze because they have varying degrees of interest, knowledge, and analytical skill. An effective SEA report contains different levels of detail so that users can find the appropriate and desired level of detail of SEA performance information for their interests and needs.

Comparability

Effective SEA reports help users make comparisons that provide a basis and context for assessing a government's performance.

40. SEA performance measures, if presented alone, do not provide a basis or context for assessing SEA performance. If the information presented within an SEA report is

comparable and comparisons are presented, then the information provides a frame of reference for users to assess SEA performance. To assess whether the reported SEA performance is improving, deteriorating, or remaining the same, users need comparative information such as measures from earlier periods, established targets, industry standards, or other similar governments. The types of comparative information reported may depend on issues such as the availability of reliable and relevant information, the purpose of the report, and the needs of the users.

41. Time series comparisons and comparisons with targets are the main types of comparative SEA performance information used for external reporting. Time series comparisons provide a basis for comparing the results of two or more periods and provide users with information to use in assessing whether results are improving over time. However, time series comparisons do not provide a basis for assessing whether the results are at an acceptable level. Comparisons to targets set by the government provide a means of assessing whether the program or service is achieving the level of results anticipated. However, targets can be established that are too high or too low. Therefore, to assist users in assessing the reasonableness of targets, they can be compared against results and prior periods.

42. The necessity for comparative information extends below the government-wide level. For example, users often have expressed an interest in statewide measures that are disaggregated and presented by region, county, or institution (such as individual campuses of a state university); citywide measures that are disaggregated and presented by neighborhood; or school district measures that are disaggregated and presented by individual school. These disaggregations provide a basis for comparisons within an individual government.

43. Users also may be interested in comparing their governments with industry standards or other similar governments. Comparisons with other similar governments can be very informative, as long as any significant differences in SEA performance measures or circumstances are understood by users. When preparing SEA reports that include comparative data, a discussion of the basis for the selection of similar governments and any known methodological, environmental, and demographic differences may improve users' understanding. For example, governments record or allocate costs and calculate unit costs in various ways; noting these differences helps users avoid inappropriate or misleading comparisons.

Timeliness

Effective SEA reports provide SEA performance information to users before it loses its value for assessing accountability and affecting decisions.

44. In order for the information presented in an SEA report to be considered timely, the report needs to be issued soon enough after the reported events to affect decisions or assessments of accountability. Timeliness alone does not make information useful, but the passage of time generally diminishes its usefulness.

45. An effective SEA report includes information regarding the period covered by the report and for each program, service, or SEA performance measure presented. The period covered for a particular program, service, or individual SEA performance measure may differ from the period covered by the SEA report as a whole. If the reporting period for all or part of the government is less frequent than annual (for example, a biennial report), then the reason for choosing a less frequent period needs to be discussed.

Consistency

Effective SEA reports include measures reported in the same way over time.

46. Consistency in reporting SEA performance information means measuring and reporting the same SEA performance measures in the same way from period to period. This consistency results in SEA reports that can be used to compare performance and monitor trends over several years. Users can then expect to find SEA performance measures they are familiar with and already understand when they review a report. Consistency needs to extend to the various levels (layers) of reporting used by a government. Consistency in the manner of presentation avoids confusing users and helps them to assess changes in SEA performance over time.

47. Changes in presentation formats, performance targets, or goals and objectives can occur and, in many cases, result in improved SEA performance measures. There are many acceptable reasons for changing SEA performance measures and methodologies, such as the development of more accurate measures, the introduction of new and innovative techniques for activities, changes in program features, changes in administration or leadership priorities, or shifts in other factors influencing results. The manner of presentation also may change (for instance, measures may have been reported by county in one year but aggregated by region in the next). If SEA performance measures are modified or replaced or the manner of presentation is changed, then it is important to communicate to users that a change has taken place and the reasons for the change.

Reliability

Effective SEA reports contain information that is verifiable, objective, comprehensive in coverage, and faithfully representative.

48. SEA performance measures need to be verifiable to provide assurance that the information in an SEA report would be replicated by independent evaluators using the same measurement methods. Generally, SEA performance information needs to be derived from systems producing verifiable data. Assurance may be achieved by verification of the measure itself or by selected testing to verify the procedures used to obtain the information reported by the measure. While independent verification is ideal, there are other ways of verifying SEA performance information that may provide a reasonable degree of assurance; for example, system control reviews conducted internally and program staff or director evaluations.

49. SEA performance information is considered objective if it has not been modified by the government either to overstate or understate positive or negative results. An objective SEA report also does not exclude either positive or negative results of key measures of SEA performance.

50. SEA performance information that is comprehensive in coverage is thorough in its presentation of the measures. The concept of being comprehensive in coverage means that significant data is not omitted from the information that is necessary to faithfully represent major results (within the bounds of what is significant and feasible considering cost). Likewise, nothing is included that would cause the information to be misleading.

51. SEA performance information that represents what actually occurred is a faithful representation of the results. The level of aggregation or disaggregation at which SEA performance information is presented also may affect whether it is a faithful representation of results. As measures of SEA performance become more complex, faithful representation becomes more difficult to achieve and assess. Balancing reliability and relevance also becomes more difficult.

52. It may not be feasible to obtain precise information for some of the more relevant measures because of the complexity and the sources of SEA performance information. Under certain circumstances, the information being reported may be based on estimates. If SEA performance measures utilize information based on estimates, then the estimate needs to be appropriately explained.

53. If the reliability of some or all of the SEA performance measures being reported is not assured, then this fact needs to be communicated to users. If questions are raised about the reliability of this information because of the results of the verification of the information, or because no verification was performed, then this situation needs to be reported to users.

EFFECTIVE COMMUNICATION

Intended Audiences

54. For an SEA report to meet its purpose of effectively communicating SEA performance information to users, the intended audiences need to be considered. Paragraph 15 of Concepts Statement 2, as amended, identifies several potential users or audiences of an SEA report, including citizens, elected officials, appointed officials, investors and creditors, and others involved in governmental processes. Involving users in the process of identifying (a) what SEA performance information is valuable and interesting to them and (b) how they prefer to receive the SEA performance information, may assist preparers in effectively communicating their results in an SEA report.

55. The types of decisions made by potential audiences influence the information that they need in an SEA report. Potential audiences need different types of information because they understand and analyze SEA performance information in different ways. There are numerous ways to communicate SEA performance information to a particular

audience. Therefore, for an SEA report to effectively communicate, those preparing the report need to consider the intended audiences and their needs and the appropriate forms of communication, and prepare the report accordingly.

56. Similarities may exist in the SEA performance information needed by each of the potential audiences. Differences also may exist in what is considered necessary across potential audiences and within each audience itself. For example, different audiences may need SEA performance information for different programs or services, different types of SEA performance measures, and different levels of detail. Similarly, different audiences may need SEA performance information presented in different forms and styles, and may have different ways of receiving SEA performance information.

57. When considering different audiences, such as citizens and elected officials, the variation in the information needed likely will increase because of the different decisions made by those audiences. Many citizens may find a high-level summary of selected results focused on major programs and services to be sufficient in providing them with the information necessary to assist them in assessing accountability. However, some citizens and elected officials may want more detailed measures about specific programs and services, or even certain aspects of those programs or services. Further, they may want information that is disaggregated, for example, by geographic area, income level, or ethnic group. On the other hand, investors and creditors may want information to help assess a government's overall efficiency and effectiveness as part of their analysis.

Multiple Levels of Reporting

58. Users have different purposes for using SEA performance information, as well as different interests, needs, levels of understanding, education, and public involvement. An SEA report that communicates effectively contains different levels of detail so that users can find their appropriate and desired level. These levels of detail can be presented in many ways, such as in one document or several separate documents organized by service area.

59. An SEA report presented within one document, or over several separate documents, needs to be organized in a hierarchical structure that proceeds through levels (layers) from overview to detail, and needs to have clearly identified links between the levels. For example, the hierarchical structure may proceed from (a) an overview to (b) an introductory summary to (c) information about specific programs and services as a whole, and potentially to (d) performance data that is broken down to provide measures of performance about specific strategies or activities within programs and services. The overview and introductory summary levels of reporting can serve as starting points for users seeking more detailed information.

Forms of Communication

60. A government's intended audiences may affect the forms of communication that need to be used. A government using multiple levels of reporting also may use different forms of communication for various levels of reporting SEA performance information.

The effective communication of SEA performance information is, in part, dependent on the forms used to communicate that information.

61. There are many forms of communication that can be considered when deciding how to deliver an SEA report. For example, SEA performance information may be communicated through printed material mailed to households and businesses, portable document format (PDF) files or extensible business reporting language (XBRL)-enhanced files on the Internet, presentations made in person, articles in the print media, or news segments in the electronic media.

Appendix A

ILLUSTRATIONS

62. To enhance the understanding of the suggested guidelines, a number of illustrations have been included. The inclusion of these illustrations is for demonstrative purposes only and does not represent the endorsement by the GASB of any particular measure or method of presentation.

CONTENTS

	Paragraph Numbers
Essential Components of SEA Reports.....	63–67
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Understandability	70
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Consistency	76
Reliability.....	77–79

ESSENTIAL COMPONENTS OF SEA REPORTS

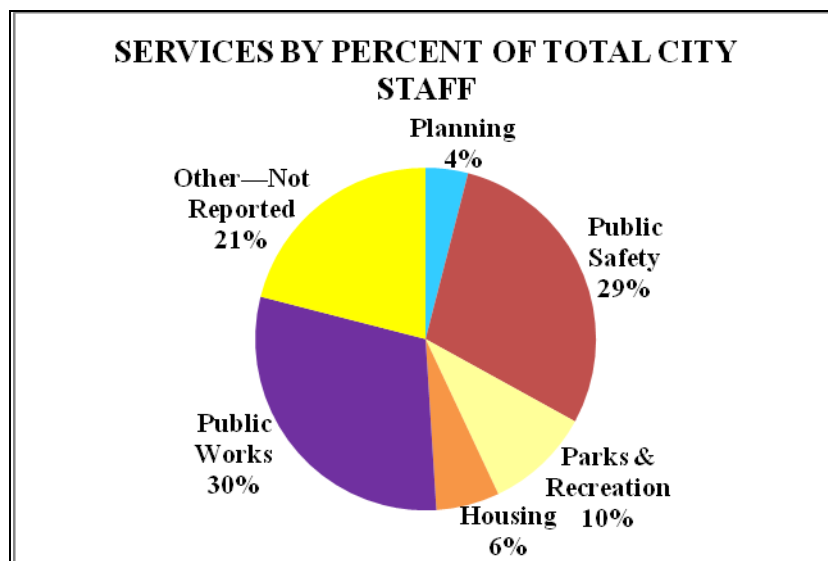
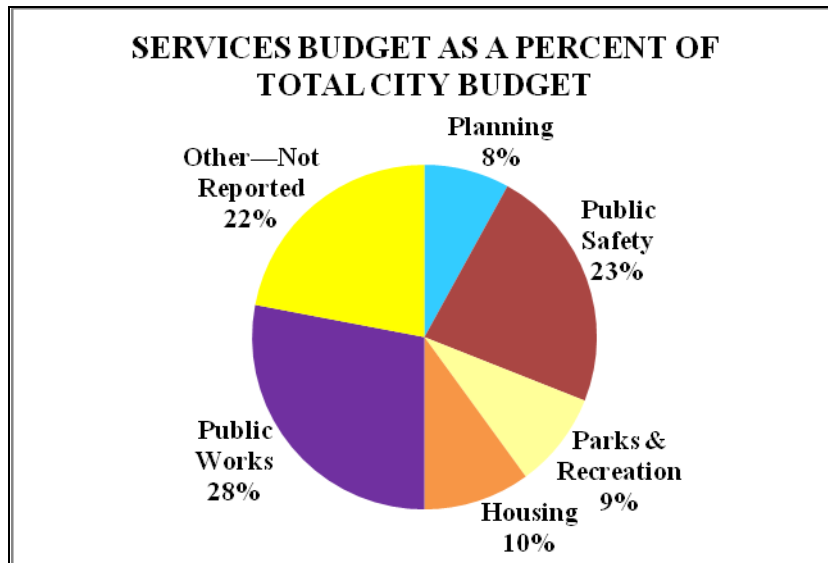
63. Illustration 1 presents one way the purpose and scope can be communicated within an SEA report.

ILLUSTRATION 1—PURPOSE AND SCOPE

Why and How We Produce the SEA Report

The purpose of this report is to provide citizens of City XYZ with the current data, trends, and issues associated with the City's efforts to deliver services to residents, and the City's level of accomplishment related to these efforts. With this information, citizens can assess performance and make decisions.

The scope of this report encompasses the efforts and results of five city departments for fiscal year 20X5–20X6 (July 1, 20X5 through June 30, 20X6). These departments directly interact with our citizens. The report does not include all of the activities and programs of the City. For example, administrative and support services such as purchasing, personnel, information technology, and budgeting are not included. The departments selected for reporting represent 78 percent of the City's budget for the fiscal year and 79 percent of the City's full-time equivalent employees.



64. Illustration 2 presents one way that major goals and objectives can be presented within an SEA report. Only two goals with three objectives each are presented in the example. However, an organizational unit often has more goals, and each goal may have many objectives.

ILLUSTRATION 2—MAJOR GOALS AND OBJECTIVES

City XYZ

DEPARTMENT OF PUBLIC SAFETY

Key Public Service Goal for the Police Department:*

To improve the actual and perceived safety of residents of City XYZ.

Critical Objectives:

- a. Reduce the violent crime rate to less than 25 per 1,000 persons by 20X9.
- b. Reduce the property crime rate to less than 50 per 1,000 households by 20X9.
- c. Increase the percentage of citizens feeling safe or very safe in their neighborhood at night to greater than 80% by 20X9. (This will be based on a citizen survey conducted during the year.)

Key Public Service Goal for the Fire Department:

To reduce losses associated with fires in City XYZ.

Critical Objectives:

- a. Reduce the number of fires per 1,000 residents to less than 4 by 20X9.
- b. Increase the percentage of fires confined to room of origin to greater than 85% by 20X9.
- c. Increase the percentage of fire prevention inspection violations found that are cleared within 30 days of issuing a citation to greater than 90% by 20X9.

*Key public service goals are extracted from the strategic plan.

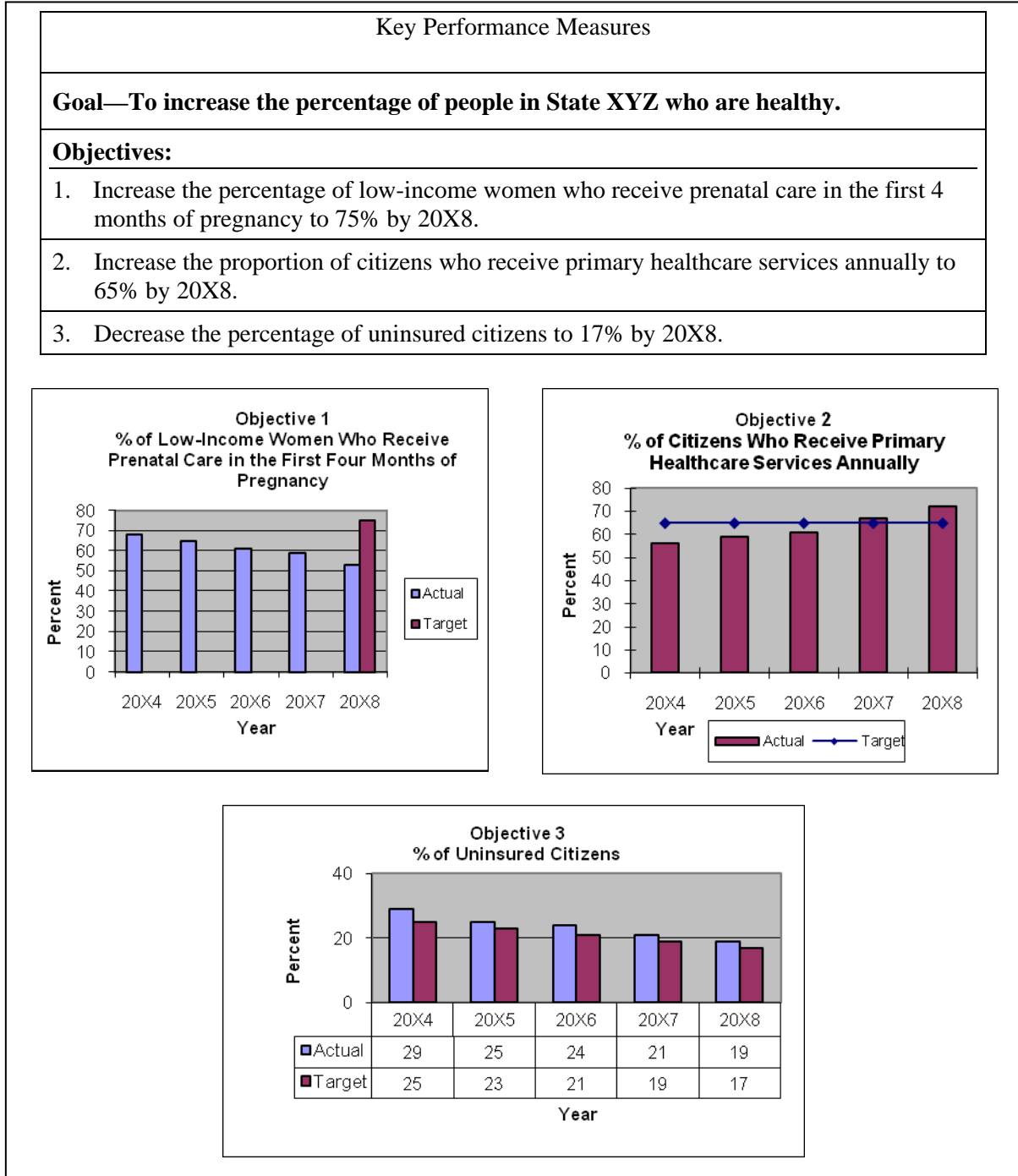
65. Illustrations 3 and 4 present different ways that information about key measures of SEA performance can be communicated within an SEA report. Illustration 3 presents five key measures of SEA performance for two objectives of one goal.

ILLUSTRATION 3—KEY MEASURES OF SEA PERFORMANCE

Summary Results for Agency Goal #1				
<i>To provide and improve healthcare access to the underserved and vulnerable populations of State XYZ.</i>				
<u>Objective 1</u> —To reduce the percentage of uninsured residents within State XYZ to less than the 20X4 rate of 18.4% by 20X6.				
<u>Objective 2</u> —To increase the number of enrollees in State XYZ’s healthcare plan from 178,889 in 20X4 to at least 230,000 by 20X6.				
Key Performance Measures	20X5 Target	20X5 Actual	20X6 Target	20X6 Actual
Input:				
Cost to Insure Enrollees	\$1.5 Billion	\$1.4 Billion	\$1.8 Billion	\$1.7 Billion
Outcome:				
Percentage of the State’s Population That Is Uninsured	<18%	18.2%	<18%	17.7%
Output:				
Number of Uninsured Residents in the State	<175,000	176,944	<175,000	172,083
Output:				
Number of Enrollees in Plan	>190,000	188,643	>230,000	242,052
Efficiency:				
Cost per Enrollee	\$7,900	\$7,421	\$7,800	\$7,023
Legend: < means less than and > means more than				
<u>What these measures report:</u>				
<p>These measures report the percentage and number of residents of State XYZ that are uninsured, the number of and total cost to insure enrollees, and the cost per enrollee in the State healthcare plan. The results above indicate that the percentage of the State’s population that is uninsured in 20X6 is below the established target of 18%, and the cost per enrollee in 20X6 is below the established target of \$7,800. Of the total state population of 972,222, 24.9% or 242,052 residents are enrolled in the state health insurance plan as of 20X6. This result reflects the agency’s contribution to the goal of providing and improving healthcare access to the underserved and vulnerable populations of State XYZ.</p>				

66. Illustration 4 presents three key measures of SEA performance for one goal. All three of the key measures are reported using graphics.

ILLUSTRATION 4—KEY MEASURES OF SEA PERFORMANCE



67. Illustrations 5 and 6 present how the discussion and analysis of results and challenges may be communicated. In Illustration 5, the discussion of results contains the reasons for the improvement in the acceptability of traffic flow. Illustration 6 presents a discussion and analysis of both results and challenges related to one program.

ILLUSTRATION 5—DISCUSSION AND ANALYSIS OF RESULTS AND CHALLENGES

Percentage of Citizens Rating Traffic Flow as Acceptable				
	5-Year Objective	20X0 Actual	20X1 Actual	20X2 Actual
City Streets	>45%	29%	41%	59%
Freeways and Expressways	>25%	16%	23%	46%
Legend: > means greater than				
<p>Discussion of Results Citizens are experiencing reduced congestion on city streets and freeways resulting in reports of increased satisfaction with traffic flow. A city survey of 675 commuters done each year indicated that the percent of commuters rating traffic flow as acceptable rose significantly from 20X0 to 20X2. This improvement is due in large part to increasing fuel prices resulting in a reduction in the number of drivers on the road, particularly during commute times, as many commuters have begun carpooling and sought alternative means of transportation. The Department continues its efforts to time signals and to operate intelligent transportation systems. These efforts are being made to help retain as much of the improvement in traffic flow as possible when the number of commuters increases.</p>				

ILLUSTRATION 6—DISCUSSION AND ANALYSIS OF RESULTS AND CHALLENGES

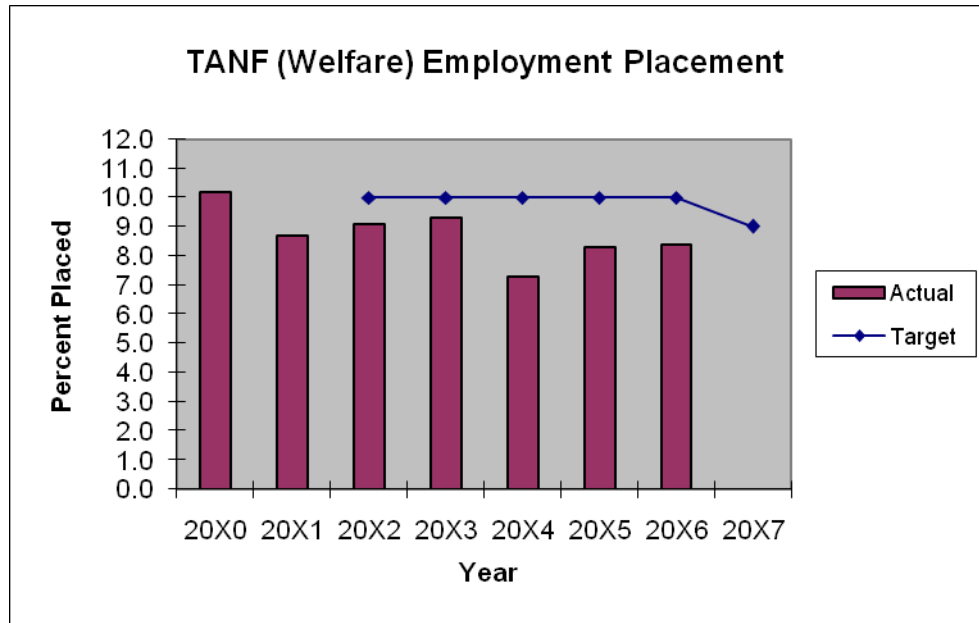
State XYZ

Department of Social Services

Key Measure Analysis—Temporary Assistance for Needy Families (TANF) Employment Placement

One of the department’s goals is to assist families in being self sufficient. A family’s ability to find and maintain employment is critical to the achievement of this goal. Targets were established for this performance measure starting in 20X2. The 20X2 target of 10.0% was established based on the 20X0 and 20X1 actual performance. A clearer definition of *TANF (welfare) employment placement* was instituted in July 20X6. The target for 20X7 was adjusted to 9.0% to reflect the affect of the revised definition of *TANF (welfare) employment placement*, current performance, and the present job market.

While there was an increase in the percent of TANF work-eligible participants placed in jobs from 20X4 to 20X6, the results were still below the target level. Over the last five years, the characteristics of TANF clients have dramatically shifted. Those able to get a job are able to do so relatively quickly. The remainder of the population of TANF clients is more likely to have multiple barriers that need to be addressed before they can be placed in jobs. Investments are being made in the TANF program to better address client needs in order to increase placements. The department will closely monitor the new TANF program to ensure that the expected results are achieved.



QUALITATIVE CHARACTERISTICS OF SEA PERFORMANCE INFORMATION

68. Illustration 7 presents one way of explaining the relevance of the SEA performance information provided by relating that information to a major goal.

ILLUSTRATION 7—RELEVANCE

School District XYZ Goals:

- 1. To Increase the Percentage of Students Who Attend Classes**
- 2. To Decrease the Percentage of Students Dropping Out of School to Less than 8 Percent.**

Why are these goals important? Studies have shown that low attendance rates among students lead to an increase in the probability of students dropping out of school. Studies also have shown that students who drop out of school have lower lifetime earnings and less success in the labor market.

How does School District XYZ perform?

Average Attendance Rates

Year	Elementary School	Middle School	High School
20X1	85	80	68
20X2	87	81	68
20X3	89	83	70
20X4	91	84	72
20X5	93	85	73

High School Drop Out Rates

Year	High School 1	High School 2	High School 3	District Wide
20X1	8	7	10.5	8.5
20X2	7.5	8.5	10.5	8.5
20X3	7	8	10	8.5
20X4	6.8	8.5	11	8.5
20X5	6.2	8.5	10	8.5

What does this mean for School District XYZ?

The attendance rate in School District XYZ schools has been improving steadily over time at all levels of education.

High school drop out rates, unfortunately, do not show a similar improvement. Only one of the three high schools in the district has experienced a decline in dropout rates in each of the past five years. This school has demonstrated successful student retention practices that are being considered for implementation within the other schools.

69. Illustration 8 also presents the relevance of a key measure of SEA performance by linking it to the related goal.

ILLUSTRATION 8—RELEVANCE

Health and Human Service Agency—**State XYZ**

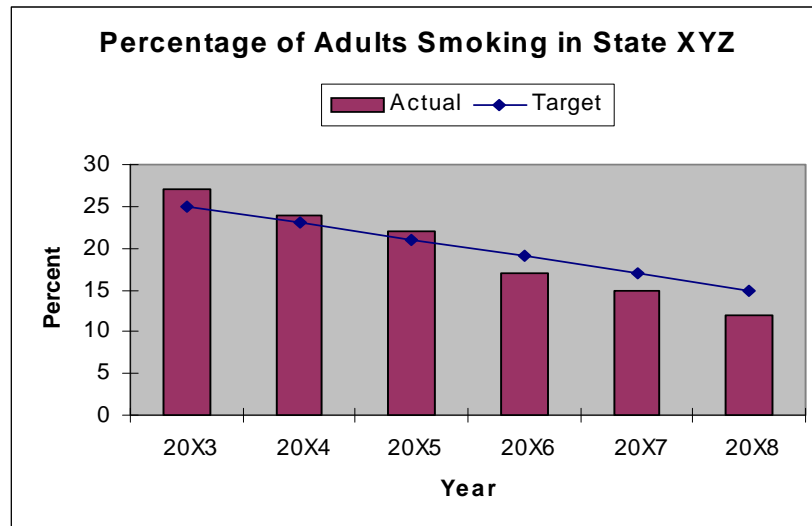
Key Performance Measure—Percentage of Adults Smoking in State XYZ

1. To what goal(s) and objective(s) does this performance measure link?

This performance measure links to the Health and Human Service Agency goal, “80% of people are healthy.” It also links to the Health and Human Service Agency objective, “Reducing the percentage of adults smoking in State XYZ.”

2. What does the performance measure say about the Health and Human Service Agency of State XYZ relative to its goal(s) and objective(s)?

Tobacco use is the leading preventable cause of death in the state and the nation. Studies have shown that quitting tobacco use has significant health benefits. Reducing the percentage of adults who smoke tobacco will contribute toward the goal, “80% of people are healthy,” in both the short and long terms. Health and Human Service Agency, through the Tobacco Prevention and Education Program, is the lead public agency working on tobacco use prevention in the state. This program, in addition to other factors (for example, price of cigarettes), has contributed to reductions in smoking. The chart below shows the degree to which this program has contributed to reduced use of tobacco among adults in the state from 20X3 through 20X8.




70. Illustration 9 presents understandability from the perspective of being able to navigate through a report and comprehend what types of SEA performance information can be found within the report.

ILLUSTRATION 9—UNDERSTANDABILITY

1

→



City XYZ
Parks & Recreation Department
User's Guide

2	→	<p>Key Public Service Areas: Maintain a green, clean and safe park system and urban forest for all.</p>	←	<p>Critical Objectives:</p> <ul style="list-style-type: none"> Optimize the overall condition and cleanliness of park facilities and playgrounds. Plant and maintain street and park trees. 	3																															
4	→	<p>Department Operations: The Parks & Recreation Department is responsible for maintaining a municipal park system of over 625 parks spanning roughly 11,250 acres, as well as more than 100 recreation facilities that include football fields, swimming pools, tennis courts, and basketball courts. The parks department is also responsible for the city zoo and aquarium.</p>	←	<p>Preliminary Highlights:</p> <ul style="list-style-type: none"> In FYX8, the Department achieved a cleanliness rating of 91 percent for all of its parks for the first time. The three-acre ABC Park was opened for use as part of the downtown revitalization effort. Recreation facility usage increased by 37 percent compared to the previous year. The number of acres restored in our parks was three times the FYX7 level due to a one-time donation for that purpose provided to the department from the estate of a citizen. 	5																															
6	→	<p>Performance Report:</p>				8																														
7	→	<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th colspan="3">Actual</th> <th>Updated Target</th> <th>4-Month Actual</th> </tr> <tr> <th></th> <th>FYX6</th> <th>FYX7</th> <th>FYX8</th> <th>FYX9</th> <th>FYX9</th> </tr> </thead> <tbody> <tr> <td style="border-top: 1px solid black;">Parks rated "acceptable" for overall condition</td> <td style="text-align: center;">86%</td> <td style="text-align: center;">84%</td> <td style="text-align: center;">86%</td> <td style="text-align: center;">87%</td> <td style="text-align: center;">85%</td> </tr> <tr> <td style="border-top: 1px solid black;">★ Parks rated "acceptable" for cleanliness</td> <td style="text-align: center;">82%</td> <td style="text-align: center;">87%</td> <td style="text-align: center;">91%</td> <td style="text-align: center;">92%</td> <td style="text-align: center;">91%</td> </tr> <tr> <td style="border-top: 1px solid black;">Acres restored</td> <td style="text-align: center;">3.0</td> <td style="text-align: center;">9.6</td> <td style="text-align: center;">33.2</td> <td style="text-align: center;">*</td> <td style="text-align: center;">2.6</td> </tr> </tbody> </table>					Actual			Updated Target	4-Month Actual		FYX6	FYX7	FYX8	FYX9	FYX9	Parks rated "acceptable" for overall condition	86%	84%	86%	87%	85%	★ Parks rated "acceptable" for cleanliness	82%	87%	91%	92%	91%	Acres restored	3.0	9.6	33.2	*	2.6	8
	Actual			Updated Target	4-Month Actual																															
	FYX6	FYX7	FYX8	FYX9	FYX9																															
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Acres restored	3.0	9.6	33.2	*	2.6																															
9	→	<p>★ Parks rated "acceptable" for cleanliness</p>																																		

Key to User's Guide:

1. **Easily Recognized Icon** – appears on every page of the department section for fast reference.
2. **Key Public Service Areas** – the department's long-term goals for delivering services to citizens.
3. **Critical Objectives** – steps the department will take in pursuit of its Key Public Service Areas.
4. **Scope of Department Operations** – a summary of department activities, facilities, and resources.
5. **Preliminary Performance Highlights** – bulleted highlights, statistics and charts that show what measures a department has taken and how it is progressing in achieving its Critical Objectives.
6. **Performance Report** – shows trends over time, or other comparisons related to services.
7. **Performance Statistics** – statistical measurements of department inputs, workloads, and results.
8. **Target** – projected levels of performance. (* means no target is available.)
 - Updated FYX9 – the target for Fiscal Year 2009 is based on the City's Adopted Budget.
9. ★ **'Critical Indicator' Icon** – appears before the name of performance measures that have been identified as critical to the department's performance.

The information in this report is now accessible online at CityXYZ.com under the tab "City Performance."

SEA Performance Information

26

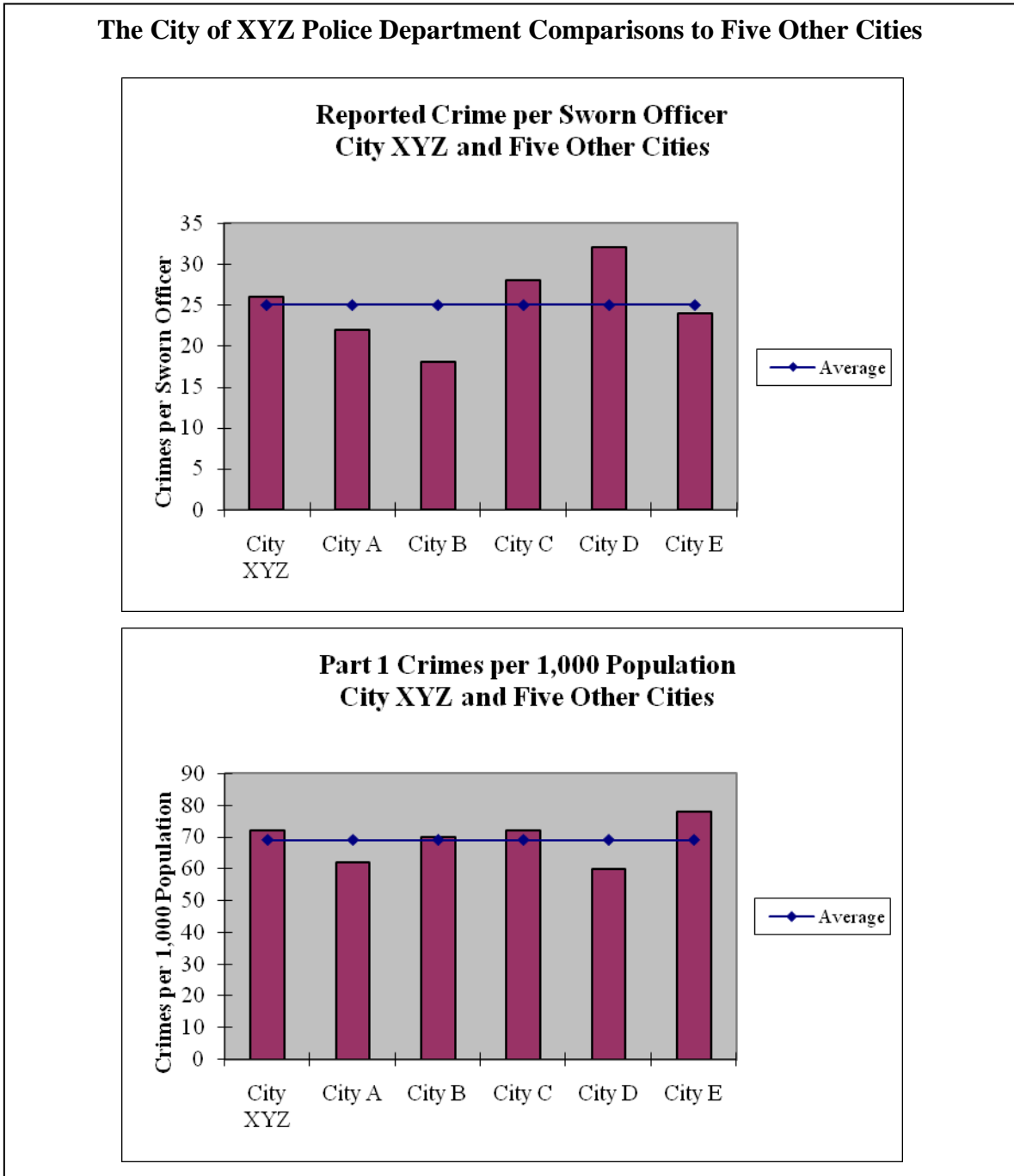
71. Illustrations 10–12 present three different approaches to communicating comparative SEA performance information within an SEA report. Illustration 10 depicts a government’s SEA performance over time and relative to internally established targets.

ILLUSTRATION 10—COMPARABILITY

<u>Fire Department Key Performance Measures</u> <u>Program—Fire Suppression and Rescue and Emergency Medical Services</u>					
	20X5 Actual	20X6 Actual	20X7 Actual	20X7 Target	20X7 Target Met or Exceeded
Percentage of fires confined to room of origin	80%	77%	78%	80%	No
Cardiac arrest survival rate	33%	37%	30%	34%	No
Average response time to fire suppression calls from receipt of call to arrival (minutes)	6.1	6.3	6.2	6.2	Yes
Average response time to EMS calls from receipt of call to arrival (minutes)	5.8	6.0	6.0	5.9	No
Percentage of fire suppression response time 5 minutes or less	61%	63%	60%	62%	No
Percentage of EMS response time 4 minutes or less	25%	24%	22%	20%	Yes

72. Illustration 11 compares a government with other similar governments using charts.

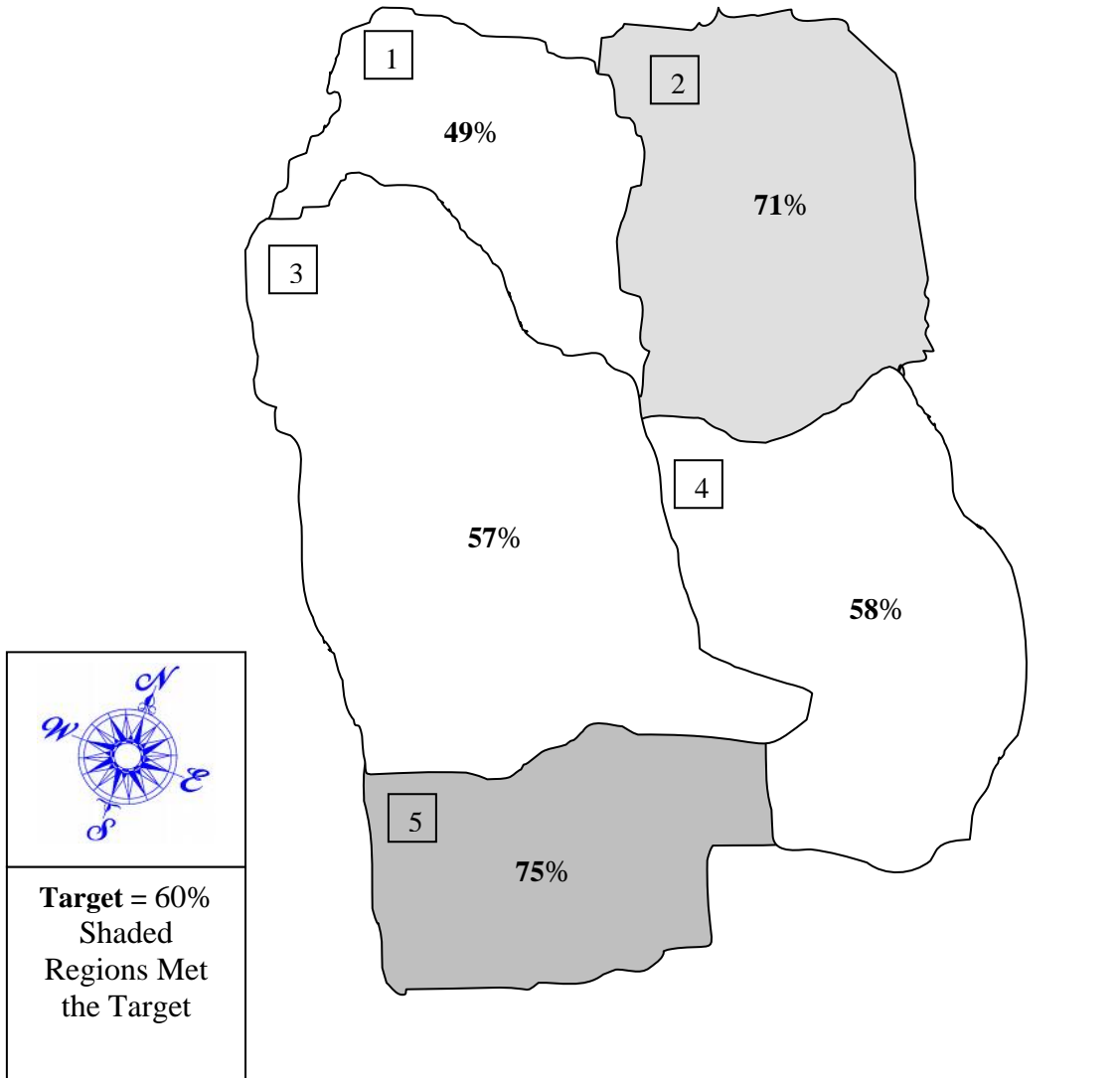
ILLUSTRATION 11—COMPARABILITY



73. Illustration 12 is an example of the disaggregation of information by geographic area of a city, comparing various sections of the community.

ILLUSTRATION 12—COMPARABILITY

Percentage of Residents Rating Overall Street Maintenance as “Good” or “Very Good”



The residents’ rating of overall street maintenance varies significantly between geographic regions of the community. The higher ratings for Regions 2 and 5 are most likely attributed to the fact that these sections of the community have undergone major redevelopment in the past few years, which included major street replacement and resurfacing. Regions 1, 3, and 4, however, have yet to undergo significant redevelopment and, as a result, have not had substantial street resurfacing.

74. Illustrations 13 and 14 demonstrate the concept of providing timely SEA performance information in an SEA report. Illustration 13 is a demonstration of a statement describing an SEA report that has been submitted after its deadline and the steps that are being taken to improve the timeliness of future reports.

ILLUSTRATION 13—TIMELINESS

Timeliness of Report

Individual state agency performance reports are due to the Department of Administration no later than January 15. The state’s consolidated performance report is due to the governor’s office no later than March 1. After failing to meet both of these deadlines in submitting its fiscal year 20X6 reports, the Department of Administration took several steps to make sure that the fiscal year 20X7 reports were submitted in a timely manner. In particular, the Department of Administration:

- Set a single reporting period for all agencies
- Accelerated the delivery of guidelines to assist agencies in the preparation of their performance measures
- Developed a goals-and-measures database to track and document changes to goals and measures from one year to the next.

75. Illustration 14 presents an SEA report that has been submitted in a timely manner.

ILLUSTRATION 14—TIMELINESS

This is the City of XYZ’s annual report on performance of the city government. Published in September 20X7, this report contains information on the basic scope of operations, the key goals, and the level of accomplishment for a majority of the city’s service delivery departments for the fiscal year 20X7 (July 1, 20X6 through June 30, 20X7), as well as results on reported departmental performance from prior years. This report also includes results from the 20X5 and 20X7 citizen opinion surveys, which provide citizen input on City XYZ’s recent governmental performance.

76. Illustration 15 presents a disclosure in an SEA report of an instance in which an SEA performance measure has been changed from one year to the next.

ILLUSTRATION 15—CONSISTENCY

Beginning with the January 20X7 report, the crime index is based on a total count by crime type using State XYZ Revised Statutes, rather than by specialty detail caseload, as has been utilized in prior years. This streamlined reporting process will have a slight impact on the various crime categories, and comparisons with prior years should consider this impact. The reporting standard for homicides and sexual assaults did not change. Ultimately, this improved reporting process will result in a more accurate reflection of crimes reported in State XYZ.

77. Illustrations 16–18 demonstrate three different levels of assurance of the reliability of SEA performance information presented in an SEA report. Illustration 16 involves no procedures or reconciliation of the SEA performance information.

ILLUSTRATION 16—RELIABILITY

Reliability of Self-Reported Performance Information

This SEA report has been compiled by the state agencies and constitutes self-reporting under formats and standards established by the state. While reasonable effort has been made to obtain and report reliable performance information, the content of the SEA report is ultimately the responsibility of the agencies. The state did not verify or reconcile reported expenditures or performance data reported by the agencies. None of the reported performance data has been independently audited.

78. In Illustration 17, the SEA performance information was verified for accuracy but not audited.

ILLUSTRATION 17—RELIABILITY

Assessment of Data Reliability

The City checked the accuracy of the data provided by the various departments, other cities, and citizens by comparing reported data to budgets, financial and performance audits, and other reports and documents obtained from the various departments. The City did not audit source documents such as 9-1-1 computer tapes or water quality test samples. The City also provided a draft report to each department and contacted them to solicit comments and suggestions for improvement.

79. In Illustration 18, audit procedures were completed on the SEA performance information.

ILLUSTRATION 18—RELIABILITY

Audits of SEA Performance Information

The City conducts audits of SEA performance information so that all reported departments will be examined over time. Due to resource limitations, a select number of city departments are chosen for audit on a rotational basis. In fiscal year 20X7, three out of nine reported departments were selected for an audit of the SEA performance information they report, as noted in the table below.

Departments	Audited 20X7
Police	
Fire/EMS	X
Public Works	
Waste Water Treatment	
Parks & Recreation	X
City Administration	
Building Inspection	
Planning	X (1)
Assessing	

(1) = performance information excluded from the SEA report

For two of the audited departments, sufficient appropriate evidence was found to provide a reasonable level of assurance that the SEA performance information being reported is reliable. For the third department (Planning), sufficient appropriate evidence was not found, and therefore SEA performance information for this department is not included in the City's SEA report.

Appendix B

BACKGROUND INFORMATION

80. The background information provided in this appendix describes the GASB's efforts related to SEA reporting from 2003. A comprehensive history of government SEA performance reporting, which pre-dates the creation of the GASB, is included in the Background Information of Concepts Statement No. 5, *Service Efforts and Accomplishments Reporting*.

81. In 2003, the GASB published a staff Special Report, *Reporting Performance Information: Suggested Criteria for Effective Communication*, which described 16 suggested criteria that state and local governments could use in preparing external SEA reports. The Special Report provided nonauthoritative guidance intended to assist state and local governments in producing effective SEA reports. The criteria included recommendations, such as clearly stating the major goals and objectives of the government, presenting information at different levels of detail, focusing on relevant measures related to the government's goals and objectives, presenting information regarding citizen and customer perceptions, and reporting on a regular and timely basis.

82. The GASB followed that report by publishing a 2005 guide to help interested individuals become informed consumers of SEA reports prepared using, to some degree, the GASB suggested criteria. The main feature of the guide was a "user's tour" of an SEA report following the GASB suggested criteria. The user's tour was intended to assist in the education efforts of potential users by discussing how to understand an SEA report and how to use the SEA performance information to assess a government's SEA performance.

83. In March 2007, the Governmental Accounting Standards Advisory Council (GASAC) reviewed a prospectus prepared for a potential SEA reporting project. A variety of points of view, both positive and negative, were voiced by the GASAC members. The average ranking of the SEA project by the members was high in relation to all of the projects being considered for addition to the Board's current agenda at that time. They also recommended that, at this time, any guidance provided for SEA reporting be voluntary.

84. The SEA reporting project was added to the GASB's current agenda in April 2007. The project consisted of two parts: (a) potential amendments to Concepts Statement No. 2, *Service Efforts and Accomplishments Reporting*, and (b) the development of suggested guidelines for voluntary reporting of SEA performance information. An amendment of Concepts Statement 2 was issued in November 2008.

85. A task force of 19 experts in SEA performance information and reporting was appointed by the GASB chairman in May 2007. The role of a task force is to assist in identifying problems and issues and to provide counsel with respect to a project. In October 2007, the task force met to discuss issues associated with the project. The task

force members generally agreed that there was no need to add new criteria and that there were opportunities to combine some of the 16 suggested criteria. Strong support was voiced for focusing on the most essential components of an SEA report.

86. In July 2008, the Board issued a Request for Response, *Suggested Guidelines for Voluntary Reporting of SEA Performance Information*. A user forum and public hearing were held in November 2008. Thirty-five comment letters were received on the Request for Response. The Board considered this written and oral feedback and the feedback received in developing the guidelines.

Appendix C

BOARD CONSIDERATIONS

87. This appendix discusses factors considered significant by the Board members in reaching the conclusions in this document. It includes discussion of the alternatives considered and the Board's reasons for accepting some and rejecting others. Individual Board members may have given greater weight to some factors than to others.

APPLICABILITY

88. The suggested guidelines have been developed by the Board after considering:

- a. The 16 suggested criteria presented in the GASB staff Special Report, *Reporting Performance: Suggested Criteria for Effective Communication*
- b. The results of experimentation by governments with those 16 suggested criteria
- c. The results of research conducted with governments and users on the value of the 16 suggested criteria
- d. The various approaches used by state and local governments in reporting SEA performance information
- e. Concepts Statement No. 2, *Service Efforts and Accomplishments Reporting*, as amended by Concepts Statement 5
- f. Comments received on the Request for Response, *Suggested Guidelines for Voluntary Reporting of SEA Performance Information*.

89. To understand how well a government performed, information is needed about what the government achieved and how efficiently it provided services with the resources used. Traditional financial statements provide financial performance information about a government's fiscal and operational accountability, where resources were obtained and how they were expended, and the financial position of the government. They do not, and are not intended to, provide all of the performance information needed to determine the degree to which a government is efficient and effective in helping to maintain or improve the well-being of its citizens by providing services.

90. Concepts Statement No. 1, *Objectives of Financial Reporting*, identifies accountability as the cornerstone of all financial reporting in government, which includes general purpose external financial reporting (GPEFR). Concepts Statement 1 explains that financial reporting should provide information to assist users both in assessing accountability and in making economic, social, and political decisions. One of the objectives of financial reporting included in Concepts Statement 1 directly relates to SEA reports: "Financial reporting should provide information to assist users in assessing the service efforts, costs, and accomplishments of the governmental entity" (paragraph 77c).

91. Concepts Statement 2, as amended, builds on the accountability concepts outlined in Concepts Statement 1 and discusses the relationship between those that control or manage a government and those that have formal power over them. Concepts Statement 2, as amended, recognizes that governments are accountable for GPEFR, which includes

the SEA performance of programs or services. It also states that governments need to provide an explanation or satisfactory reason for their activities and the results of efforts to achieve specified tasks or objectives. Concepts Statement 2, paragraph 50, as amended, emphasizes that SEA performance information is an important part of GPEFR: “Having considered the information users need for assessing accountability and making decisions, and the role of financial reporting in providing information to assess performance, the GASB believes that SEA information is an important part of GPEFR.” GPEFR is a means of communicating information to meet the needs of users. Because of the diverse nature and quantity of the information necessary to meet the various objectives of GPEFR, no single type of report may be adequate.

92. The Board believes that external SEA reporting assists governments in better communicating to the public and legislative bodies (a) the extent to which goals and objectives are being achieved, (b) how efficiently and effectively the government is providing services, and (c) the degree to which the government is helping to maintain or improve the well-being of its citizens by providing services. Based on the results of more than two decades of GASB research and monitoring, the Board concluded that it is appropriate at this time for the GASB to establish conceptually based suggested guidelines for voluntary reporting of SEA performance information.

93. Some Request for Response respondents are concerned that the GASB’s actions regarding SEA reporting may be construed as being authoritative. To address these concerns, the Board established a new format and structure for this document to clearly distinguish it from an authoritative pronouncement.

94. The primary issue raised by those respondents that objected to the suggested guidelines set forth in the Request for Response is that they continue to oppose any GASB involvement in SEA reporting. These respondents firmly believe that SEA reporting activities are outside of the core mission of the GASB. They also continue to disagree with the reaffirmation by the Financial Accounting Foundation’s (FAF) Board of Trustees, in November 2006, that issues associated with SEA reporting are part of the financial reporting mission of the FAF’s standards-setting boards. The GASB’s mission includes accounting and financial reporting. The financial reporting aspect of the GASB’s mission is not limited to traditional accounting measures. This conclusion was not only reached by the FAF Trustees but also by the Financial Accounting Standards Board in FASB Concepts Statement No. 4, *Objectives of Financial Reporting by Nonbusiness Organizations*, issued in 1980, and the National Council on Governmental Accounting in NCGA Concepts Statement 1, *Objectives of Accounting and Financial Reporting for Governmental Units*, issued in 1983, prior to the establishment of the GASB.

95. Some respondents objected to the GASB’s involvement in SEA reporting because they believe that the other organizations actively involved in developing guidance for performance management and measurement will provide a more appropriate solution. Current efforts in this area appear to be primarily focused on performance measurement and management and include the creation of a list of value-based principles that apply to all applications of performance management but not GPEFR. The suggested guidelines

would provide nonauthoritative guidance for external reporting that could be used both by those choosing to prepare SEA reports and by other organizations actively involved in developing guidance for performance management and measurement.

96. The sole focus of the GASB's efforts with the suggested guidelines for voluntary reporting is on only one part of the government performance management system—the external reporting of SEA performance information—and not on performance management or measurement. The suggested guidelines also state, as did Concepts Statement 2, as amended, that it is beyond the scope of the GASB to establish the goals and objectives of state and local government services, specific nonfinancial measures or indicators of service performance, or standards of, or benchmarks for, service performance.

97. Some respondents also raised concerns that performance measurement, including the reporting of actual performance after the fact, cannot be separated from the budgetary process. Financial reporting, however, has long included a comparison of budget-to-actual information, which represents more than basic legal compliance presentations, within GPEFR without interfering with the budget process. If SEA reports include measures that are included in the budget document, the Board does not believe this would have any more influence on the budgetary process than the reporting of financial budget-to-actual comparison information. The Board also concluded that, in certain cases, SEA performance measures used in the budgetary process may be different from those used in external SEA reports. These differences, if any, will be the choice of the government with input from its constituents.

98. Some respondents recommended including a discussion of the relationship between the information in an SEA report and the information within the other financial reports of the government, to assist in relating the SEA report to the financial information and to further emphasize that the foundation of SEA reporting lies in GPEFR. The suggested guidelines primarily are focused on externally issued SEA reports that are separate from, but not necessarily unconnected to, the other financial reports users have come to know and expect. The Board concluded there is an important relationship between the information in an SEA report and the information within the other financial reports that needs to be acknowledged within the Applicability section of the suggested guidelines. The Board believes that acknowledging this relationship will assist users in determining whether the information in the SEA report is consistent with the information provided in the other financial reports.

SUGGESTED GUIDELINES FOR VOLUNTARY REPORTING

99. In identifying the suggested guidelines, the Board considered as a primary objective whether the guidelines would assist governments in providing SEA report users with the objective information necessary to (a) assess the results of programs and services, (b) determine whether the government has operated in an accountable manner, and (c) make informed decisions.

100. The suggested guidelines include four essential components of an effective SEA report and six qualitative characteristics of reported SEA performance information. These suggested guidelines were developed based on the Board's review and discussion of the 16 suggested criteria included in the Special Report, research into the value of the 16 suggested criteria, and experimentation with SEA reporting. The Board concluded that the essential components within the suggested guidelines need to be limited to those components that are necessary for reporting SEA performance information in order to effectively communicate the results of programs and services. The Board believes that reducing the number of suggested criteria to only those that are essential provides a clearer focus for state and local governments using the suggested guidelines to prepare SEA performance information for external reporting. Therefore, the essential components were reduced to purpose and scope, major goals and objectives, key measures of SEA performance, and discussion and analysis of results and challenges.

101. The essential components are enhanced by qualitative characteristics that represent the attributes of the information contained in an SEA report that effectively communicate SEA performance information to users. The qualitative characteristics are relevance, understandability, comparability, timeliness, consistency, and reliability.

Essential Components

Purpose and Scope

102. The results of 19 GASB discussion groups on SEA reporting held from November 2000 through July 2001⁵ indicated that users were interested in using SEA performance information in a number of ways and in receiving SEA performance information on all major programs and services. The Board believes a discussion of an SEA report's purpose and scope would assist users of an SEA report in determining what organizational units, programs, and services are included in the SEA report and the reasons why they were chosen for inclusion.

103. The purposes of this essential component are (a) to inform users of the intent of the report and (b) to identify the programs and services included in the performance report. Therefore, the Board concluded that the purpose, intended uses, and scope of the SEA report should be stated clearly. The research conducted after a period of experimentation with the suggested criteria included in the Special Report, which was prepared using the results of the GASB discussion groups and other research (hereinafter, the research), indicated that preparers placed a high value on the inclusion of a description of purpose and scope within an SEA report.

104. Some respondents to the Request for Response recommended including a discussion that SEA performance reporting needs primarily to relate to the services being provided. They stated that this approach is needed to emphasize that users of SEA reports are not usually interested in which organizational unit provided the services but rather on the services themselves. The Request for Response described a statement of scope as including what organizational units, programs, or services are included within an

⁵GASB Research Report, *Report on the GASB Citizen Discussion Groups on Performance Reporting* (Norwalk, CT: July 2002).

SEA report, without placing any specific emphasis on these categories. After considering these views, the Board concluded that a less prescriptive approach leaves the decision of how to organize the report, and where to place the emphasis, with the government, which can assess the specific needs of the users of its reports.

105. The Request for Response stated that the period covered by an SEA report should be included within the statement of scope. Some respondents also recommended including the frequency of reporting and the issuance date of the report within this essential component. The Board decided not to include a discussion of the frequency of reporting in the suggested guidelines because they believe that the frequency of reporting may appropriately vary with changing user needs. However, the Board agreed that the suggested guidelines would be enhanced by including the issuance date of the report, as well as the period covered, within the purpose and scope. The Board believes that it is important for users to be able to determine how soon after the end of the reporting period an SEA report is issued.

106. Some respondents recommended identifying the leadership of the organizational units included within the SEA report, as well as links to the websites of the organizational units or services, to provide users with the ability to (a) communicate with those responsible for providing the services that users are most interested in and (b) learn more about the organizational units or services that users are most interested in. The Board agreed to include a suggestion within the purpose and scope component that governments identify the organizational units included within an SEA report and how to contact those organizational units for more information. The Board concluded that this information would provide more transparency. The Board also concluded that suggesting the identification of the leadership of those organizational units or services would be too prescriptive and also may become outdated as personnel change.

107. Other respondents recommended including a discussion of whether or not an SEA report should mention the level of assurance obtained on the SEA performance information. The Board concluded that users may need to have information that will assist them in assessing the degree of reliability of the SEA performance information being reported. The Board agreed to include a discussion within the purpose and scope component regarding the potential need to address the level of assurance obtained on SEA performance information.

Major Goals and Objectives

108. The results of the GASB discussion groups indicated that users were interested in using SEA performance information to assess the accountability of their government. Users wanted to know if the government had met its goals or what it intended to accomplish, at least for major programs and services. Presentation of major goals and objectives provides a basis for understanding what a government has set forth to achieve. The Board believes that the presentation of major goals and objectives provides a basis for assessing whether (a) the programs and services and the results of the strategies are directed toward accomplishing what the program or service has agreed to accomplish and

(b) the performance information offers a basis for assessing results in achieving those goals and the effectiveness of the program or services in meeting its objectives.

109. The purposes of this essential component are (a) to provide users with the goals and objectives that have potential decision-making or accountability implications for the government being reported and (b) to identify the origin or source of the goals and objectives so users can determine how the government established them. Therefore, the Board concluded that presenting the goals and objectives of the government provides critical information necessary for determining whether the reported SEA performance information is relevant to what the government is trying to achieve. The research also indicated that citizens, elected officials, senior management, and preparers all placed a high value on the inclusion of major goals and objectives within an SEA report.

110. The Request for Response discussed the importance of distinguishing between the government-wide goals and objectives and the goals and objectives of individual programs and services, if the government has both types of goals and objectives. Some respondents to the Request for Response recommended including a discussion of how to link these two levels of goals and objectives. The Board agreed that discussing the possibility of a government having both government-wide and individual program and service goals and objectives will help to clarify how to associate them without prescribing that both types are necessary within an SEA report.

111. Some respondents recommended including a discussion of the strategies pursued by the government to achieve its major goals and objectives, to enable users to understand why a performance measure put forward by the government is significant, why it is a better measure of achievement than other alternatives that may be readily apparent, and how successful the pursuit of the strategy has been. The Board concluded that a discussion of strategies did not rise to the level of a suggested guideline. The Board believes that, although this information could be useful to some users, it is not essential to the effective communication of SEA performance information and may cause users to focus on strategies rather than SEA performance results.

112. Other respondents recommended changing the title of this essential component to “Strategic Direction,” to broaden the concept of goals and objectives and thereby better resonate with some preparers. The Board considered this change but ultimately concluded that the concept of strategic direction may be viewed as a part of performance management and therefore would be outside of the scope of an SEA report.

113. Providing this alternative within the suggested guidelines for organizing the report other than by just goals and objectives was intended to clarify that there are various ways in which governments might choose to report SEA performance information to their users. Some respondents stated that reporting by goals and objectives tends to reinforce a bureaucratic reporting structure (which, by their definition, requires too much information). They believe that the public does not care about governmental organizational boundaries but wants services delivered regardless of the organizational structure. Those who are preparing a department-specific report may find it more appropriate to organize the report in a manner other than by goals and objectives. Others

may be concerned that organizing the report other than by goals and objectives would minimize the emphasis linking what is being measured and reported to what the government believes is most important—in other words, the government’s goals and objectives. These respondents stressed that goals and objectives are the organizing principle for an SEA report and that statistical and narrative information should be grouped based on the structure they provide. The Board agreed with those concerns and modified the discussion to highlight that there are different ways to organize an SEA report other than by goals and objectives.

Key Measures of SEA Performance

114. Users participating in the GASB discussion groups indicated they were most interested in performance information about outcomes, citizen and customer perceptions, and costs. These users indicated a need for the SEA report to focus on the most important information or key measures. A long, overly detailed, data-saturated report generally is not ideal for any type of user. Consequently, the Board concluded that SEA performance information will be more effectively communicated and more widely understood and used if it is concise. However, the Board also concluded that the comprehensiveness of the SEA report’s contents should not be sacrificed as a result of this need for conciseness, as it is equally important to ensure that all major aspects of performance for a major goal or objective be reported. The Board also determined that it is important to have balanced reporting of performance information.

115. Paragraph 60 of Concepts Statement 2, as amended, states, “Both conciseness and comprehensiveness in reporting SEA measures are important because of the number, diversity, and complexity of state and local governmental agencies . . . and services.” Performance information will best be understood if a balance can be “achieved among the number of services reported, the SEA measures reported, and the capability of users to understand and act on the information.”

116. The purpose of this essential component is to ensure that performance reports provide users with enough information to develop their own conclusions about important aspects of a government’s performance, without overwhelming the users with more information than they can assimilate. The research also indicated that preparers placed a high value on focusing on key measures of SEA performance information within an SEA report.

117. Citizen and customer perceptions are one type of outcome measure and are discussed as a key measure that should be considered. However, some respondents stated that placing more emphasis on citizen and customer perceptions may help to encourage preparers to include this type of outcome measure in their SEA reports. The Board agreed that it was important to expand the discussion of citizen and customer perceptions, as a measure of outcomes, to clearly identify the importance of this type of qualitative measure and to encourage preparers to include this type of measure in their SEA reports.

118. Some respondents stated that placing an emphasis on reporting accomplishments may encourage preparers to report more outcome measures and may focus an SEA report more on performance results. The Board agreed that additional emphasis on outcome

measures should be included in the suggested guidelines to emphasize their importance and encourage governments to include outcome measures when preparing their SEA reports; however, the Board recognized that a balance between the different elements of SEA performance measures is important. The Board also agreed to include a discussion from Concepts Statement 2, as amended, of (a) measures of results occurring soon after a service is provided versus those occurring later, (b) measures of results that indicate progress towards desired end results but are not themselves final outcomes, and (c) measures of the level of the achievement of desired end results.

119. A discussion of why comparisons with other governments may not be appropriate unless comparability is verified in some way was recommended by some respondents. Those respondents believe this may reduce the risk of reporting misleading comparisons, which may lead users to reach erroneous conclusions. The Board agreed with this concern and expanded the discussion of comparisons to include a caution that comparisons between governments need to be carefully considered before including them in SEA reports. Moreover, the Board noted that comparisons need to be made with comparable governments using similarly measured information.

120. Some respondents stated that a more comprehensive discussion of the tension between conciseness and comprehensiveness may provide better direction to preparers. They believe that the suggested guidelines need to provide more information about how to prepare an SEA report that includes enough SEA performance information without overloading its users. The suggested guidelines identify this tension but do not try to resolve the issue because of its complexity and the fact that it may require different resolutions for different governments. The Board agreed to expand the discussion to highlight the importance of this issue and elaborate on how levels of reporting may assist in striking a balance.

121. Some respondents stated that relevant performance information may extend beyond measures of the achievement of goals and objectives for programs or services. Stating that performance reports should consider including information relating to unexpected results (unintended consequences) may encourage preparers to provide users with information that will assist in their overall assessment of the comprehensive results of programs or services. The Board agreed with this concern and included a discussion of the need to consider reporting information pertaining to unintended consequences within two essential components—key measures and discussion and analysis of results and challenges. The Board believes that it is important for users to be aware that programs and services sometimes have effects that often are not captured within the primary measures of the achievement of the government’s goals and objectives.

Discussion and Analysis of Results and Challenges

122. Users participating in the GASB discussion groups indicated they wanted explanatory information to help provide a context for understanding and using SEA performance information. These users also wanted to be provided with interpretations of what reported levels of SEA performance information mean, as well as explanations of decisions, variances from targets, and future plans of the government. The Board

believes that the narrative discussion of results and challenges provides a basis for assessing whether the government has been making overall progress in achieving its objectives and what challenges have been identified that will affect results. The Board also believes an executive or management analysis would provide users with condensed information about the general performance of the government that they can use to select areas they wish to investigate in more detail.

123. The purpose of this essential component is to present performance results with a discussion of those results and challenges facing the government so users can better understand and use the report. The research also indicated that citizens, elected officials, senior management, and preparers all placed a high value on the inclusion of a discussion and analysis of results and challenges within an SEA report.

124. Concepts Statement 2, as amended, provides support for this essential component by introducing the idea that narrative explanations of factors affecting performance should be included with performance measures. In explaining the use of qualitative explanatory information, Concepts Statement 2, paragraph 53, as amended, states, “Narrative information provided with SEA measures can provide explanations of what the level of performance reported by the measure means, the possible effects that explanatory factors might have on performance, and actions that have been (or are being) taken to change reported performance.”

125. The Board agreed, after considering the comments received on the Request for Response, to expand the explanation of this essential component to include a brief discussion of the importance of objectively reporting performance results for major programs and services. The Board concluded that the reporting of objective performance results is necessary for SEA reporting to be effective. The Board also believes that objective reporting helps to increase users’ confidence by reassuring them that they are receiving an unbiased picture of a government’s results.

126. Some respondents indicated that a more concise discussion and analysis of results and challenges is more likely to be read and understood by users and, therefore, more likely to improve the communication of SEA performance information. Based on this recommendation, the Board agreed to include a discussion of the importance of being concise when preparing the discussion and analysis. The Board also concluded, however, that placing too much emphasis on being concise may result in an SEA report that does not include a discussion or analysis about the results of some major programs or services, thereby leaving users without important information that is needed to understand or analyze the results being reported.

127. Some respondents recommended including a statement within an SEA report that causes of performance results are not always known. These respondents believe that including this statement may help users to understand the difficulty programs and services encounter when trying to identify what factors contributed to the achievement of desired performance results. The Board agreed with this recommendation and included a brief discussion of this issue. The Board decided that including a discussion of why the cause of performance results often is missing from SEA reports would help preparers and

users to recognize this concern and to realize the discussion and analysis of results and challenges is still an evolving area.

128. A government's management is the appropriate body to provide a discussion and analysis of results and challenges along with management's understanding of the reasons why actual results differ from expected results. However, the Board decided, based on comments received from some respondents, to recognize that the discussion and analysis of results and challenges may be prepared by someone other than management. The Board decided that there needs to be a distinction in the report as to whether it is a report "by management" or "on management." The Board believes that recognizing the role of preparers other than management in the suggested guidelines acknowledges the role that others (for example, auditors) often play in SEA performance reporting.

Other Issues Related to the Essential Components

129. Some respondents recommended including multiple levels of reporting as its own essential component and adding a reference in each of the other four components that they need to be interpreted in the context of multiple levels of reporting. Although the inclusion of an additional essential component may emphasize and clarify that different users have different purposes for using SEA performance information, as well as different interests, needs, and levels of understanding, education, and public involvement, the Board concluded that multiple levels of reporting is a method of communication and is more appropriately discussed within the effective communication section of the suggested guidelines.

QUALITATIVE CHARACTERISTICS

Relevance

130. Users participating in the GASB discussion groups indicated they wanted SEA performance information that provides a basis for measuring the accomplishments of the goals and objectives of the government. These users also expressed the need for SEA performance information that is interesting and important to them in their assessment of government accountability. The relevance of SEA reporting primarily depends upon whether the information provides a basis for report users to assess the degree to which the government is achieving what it has set forth to accomplish. In this context, the Board believes that reported performance measures should be aligned with the mission, goals, and objectives established by the government.

131. The purposes of this qualitative characteristic are (a) to ensure that reported performance measures reflect the government's goals and objectives and (b) to provide users with a basis for understanding the degree to which those goals and objectives have been accomplished. The research also indicated that citizens, elected officials, senior management, and preparers all placed a high value on relevance as a qualitative characteristic of SEA performance information.

132. In Concepts Statements 1 and 2, one of the six basic characteristics of government financial and SEA reporting is relevance. Concepts Statement 2, paragraph 16, as amended, states in the section on information needed for decision making, “To facilitate the process of decision making in the context of the public administration system and budgetary cycle, ideally a governmental entity should establish and communicate clear, relevant goals and objectives; set measurable targets for accomplishment; and develop and report indicators that measure its progress in achieving those goals and objectives (measures of performance).”

133. Based on comments received from some respondents to the Request for Response, the Board agreed to include a brief reference to disaggregation within the discussion of relevance. The Board concluded that disaggregation is a method of presenting information that might be used with any type of comparison (for example, time series and targets). The Board agreed that including a discussion of disaggregation would reinforce the importance of considering the appropriate level of aggregation or disaggregation needed to accurately represent the performance of different geographic areas or demographic groups. The Board also concluded that separating the discussion of disaggregation of information from the other types of comparisons may help emphasize that disaggregation is important not only as a source of intragovernmental comparisons but also in presenting performance information that does not obscure performance results. For example, certain government-wide performance information can obscure the fact that performance in individual geographic areas or demographic groups may vary greatly from the overall average of the government.

Understandability

134. Users participating in the GASB discussion groups indicated they wanted SEA performance information that can be readily comprehended. These users also noted the importance of having SEA performance information readily available and being made aware of how it can be obtained. If SEA performance information is to be communicated to users, they need to first become aware that such information is available, they need to know how to obtain it, and they need to be able to understand the information being reported. The Board concluded that because users have various backgrounds and process information differently, these reports should communicate the information using a variety of methods designed to meet the needs of various groups of users.

135. The purpose of this qualitative characteristic is to provide the performance information in forms that different users can access, comprehend, and use to reach conclusions about the results of the government. The research indicated that preparers placed a high value on the inclusion of understandability as a qualitative characteristic of SEA performance information.

136. Some respondents recommended including a discussion about how preparers can determine whether their SEA reports are understandable. Doing so may highlight to preparers the value of obtaining feedback from various potential and actual users of SEA performance information. The Board agreed with this recommendation and included a discussion within this qualitative characteristic and in the effective communication

section on the value of obtaining feedback from various potential or actual users. The Board concluded that obtaining this feedback may assist governments in identifying any difficulties experienced by users in trying to understand the SEA performance information presented within SEA reports and thereby enhance effective communication.

Comparability

137. Users participating in the GASB discussion groups agreed that various types of comparisons for reported SEA performance information are needed. Although there was broad agreement on the value of comparisons in general, some participants questioned the usefulness of specific types of comparisons. For example, although some participants found merit in comparisons between jurisdictions, others had concerns about the difficulty of making “apples to apples” comparisons of performance and the potential for misinterpretation because of noncomparable data. Comparisons over time and between geographic districts with the same government were considered important. Neighborhood-to-neighborhood comparisons also were mentioned often as being useful.

138. The purpose of this qualitative characteristic is to provide a clear frame of reference for assessing the performance of the government, its programs, and its services. The research indicated that citizens, elected officials, senior management, and preparers all placed a high value on the inclusion of comparability as a qualitative characteristic of SEA performance information.

139. Key questions for users of performance information are whether the level of service accomplishment reported is “good” or “bad,” and whether it is improving, worsening, or staying about the same. To answer these questions, the Board believes that users of SEA performance information will seek to compare reported performance with other information.

140. Paragraph 68 of Concepts Statement 2, as amended, states, “SEA performance measures, when presented alone, do not provide a basis for assessing or understanding the level of SEA performance.” Therefore, the Board concluded that SEA performance information needs to include comparative information. This comparative information may take various forms. The inclusion of comparative information will help provide a clear frame of reference for assessing the performance being reported.

141. Some respondents believe that discussing the potential issues associated with the use of targets may assist governments in recognizing that targets can provide an effective method of measuring performance. However, they noted that targets also can be readily manipulated, may not reflect reasonable performance expectations, are difficult to set, and need to be utilized with care. These respondents also believe that discussing trend comparisons (time series) may assist preparers in recognizing the importance of providing trend analysis for SEA performance information whenever feasible. The Board agreed with the concerns raised by respondents and included a discussion of the potential usefulness and limitations of targets and time series within this qualitative characteristic. The Board believes that this discussion will assist governments in developing objective time series and target comparisons.

Timeliness

142. Users participating in the GASB discussion groups indicated that they wanted SEA performance information available to them while it is still valuable for assessing accountability and making decisions. These users also suggested annual or biennial reporting cycles consistent with periods when the government's SEA performance information would be updated and accessible. In order for performance information to be valuable and useful to users for assessing accountability and making decisions, the information needs to be timely and received by users on a regular basis. The Board believes an annual performance report available soon after the end of the reporting period normally should be sufficient to meet the needs of decision makers.

143. The purpose of this qualitative characteristic is to ensure that governments report performance information on a regular and timely basis, so such information can be used as a key part of decision-making and accountability processes. The research indicated that preparers placed a high value on the inclusion of timeliness as a qualitative characteristic of SEA performance information.

144. Concepts Statements 1 and 2, as amended, establish timeliness as one of the six basic characteristics of government financial reports. As stated in Concepts Statement 2, paragraph 69, as amended, "SEA performance information should be reported in a timely manner so that it will be available to users before it loses its capacity to be of value in assessing accountability and making decisions."

145. The Board agreed, based on comments received from some respondents to the Request for Response, to discuss further the timeliness of the actual measures within an SEA report, recognizing that the time frames for the reported measures may differ from the reporting period of the overall SEA report. The Board concluded that this recognition may assist preparers in selecting the most relevant, reliable, and timely information.

146. Some respondents recommended including a discussion that older information may still be valuable if it assists in assessing public accountability. These respondents believe that including this discussion may clarify the importance of balancing timeliness of performance information with relevance and reliability. However, the Board believes that including this discussion of older information providing value may be perceived as encouraging the use of information that may have lost its value to users due to the passage of time. The Board, therefore, decided that this discussion should not be included within the suggested guidelines.

Consistency

147. Users participating in the GASB discussion groups indicated that they wanted SEA performance information that provided a basis for comparing similar SEA performance information over time. The Board believes that the purpose of SEA reporting is to communicate information about results to citizens and other users so that they will have a basis for assessing the results being achieved by the reporting government. Consistency in reported performance measures meets two needs: (a) the need for users to understand and be familiar with the measures of performance being

reported and (b) the need for users to have a basis for period-to-period comparisons. However, the Board also recognizes that changes in goals and objectives and in methods of measuring performance occur and in many cases result in improved measures. In these cases, it is important that users understand that a change has taken place and the reasons for the change.

148. The purposes of this qualitative characteristic are to allow users (a) to compare a government's performance from period to period, (b) to better understand and be familiar with a government's performance over time, and (c) to be informed of changes in measures or methodology and the reasons for those changes. The research indicated that preparers placed a high value on the inclusion of consistency as a qualitative characteristic of SEA performance information.

149. In Concepts Statements 1 and 2, as amended, consistency is one of the basic characteristics of reported financial information. Consistency has long been regarded as an important quality that results in more useful information. Consistency from one period to another enhances the utility of information to users by facilitating analysis and understanding of comparative data. As stated in paragraph 65 of Concepts Statement 2, as amended, "SEA information should be reported consistently from period to period to allow users to have a basis for comparing performance over time and to gain an understanding of the measures being used and their meaning."

150. Paragraph 65 of Concepts Statement 2, as amended, also states, "SEA measures also need to be reviewed regularly and modified or replaced as needed to reflect changing circumstances." This recognizes that, inevitably, some programs, services, goals, and objectives will be modified because of changes in scope, direction, or the service needs being addressed.

151. The Board deliberated on comments received from some respondents regarding the need to consider retroactive, historical, or overlapping data for measures that change from one period to the next. These respondents believe this is necessary in order to assist governments in recognizing the importance of communicating transitional SEA performance information. This information may enable users to better understand the SEA performance information being reported during a transitional period. However, the Board determined that including this information would provide more detail than necessary for general guidelines and could prove to be overly burdensome and confusing for users because the overlapping measures presented may report different results.

Reliability

152. Users participating in the GASB discussion groups indicated that they want to know if reported SEA performance information has been verified by a party other than the organizational unit, program provider, or service provider reporting the SEA performance information. These users also indicated that assurance as to the accuracy and reliability of SEA performance information is critical to its credibility and is needed if users are to take the time to review the information and make use of it. Interviewees in the GASB case studies, conducted in 1999 on the use and effect of performance measures by state and local governments, often noted concerns about the reliability of performance

information as well. The Board believes that one way to assist users in determining to what degree they can rely on SEA performance information is to provide them with information upon which they can base their assessment of the reliability of the information. Once this basis is established, the information will be more widely and effectively used in the decision-making process.

153. The purpose of this qualitative characteristic is to assist users in assessing the credibility of the reported performance information. The research indicated that citizens, elected officials, senior management, and preparers all placed a high value on the inclusion of reliability as a qualitative characteristic of SEA performance information.

154. Concepts Statements 1 and 2, as amended, state that the reliability of reported information is an important characteristic of financial information. It is important that the information itself be verifiable, but it also is important that the systems from which it is derived produce controlled and verifiable information. Paragraph 64 of Concepts Statement 1 states that, to be reliable, “the information presented should be verifiable and free from bias and should faithfully represent what it purports to represent.”

155. Some respondents recommended addressing the role of surrogate measures and intermediate measures within the discussion of faithful representation. These respondents believe that addressing these types of measures may assist governments in selecting SEA performance measures for certain services when it may not be possible to obtain an SEA performance measure for an important outcome, or when the desired end results of services may take several periods to achieve. The Board concluded that surrogate measures, as discussed in Concepts Statement 2, as amended, are more appropriately considered an explanation of a limitation of SEA performance measures. The Board agreed with some aspects of the recommendation and included a discussion of intermediate measures within the Key Measures of SEA Performance component. The Board concluded that there is a need to be aware that, in some cases, end results will take several years to achieve, and there may be a need to include some measures within the SEA report of the intermediate progress achieved on the desired end result.

Other Issues Related to the Qualitative Characteristics

156. Some respondents recommended including “attainability” as a qualitative characteristic of SEA performance information. These respondents believe that including attainability would reinforce that while certain goals and objectives of a government may be worth monitoring and reporting, they may not currently be attainable due to financial, legal, or other hurdles (for example, the need for a referendum to issue bonds). The Board concluded that although attainability may need to be considered in establishing goals and objectives, it is part of the policy-making process, which is beyond the scope of SEA reporting.

157. Other respondents recommended including “cost-effectiveness” (cost-benefit) as a qualitative characteristic of SEA performance information. These respondents believe that including cost-effectiveness would emphasize the need for a balance between the cost of collecting data and the value (benefit) received from the data within an SEA report. This added emphasis, the respondents believe, would reinforce that governments

need to consider the cost of gathering the information that goes into their SEA reports. Consistent with its conclusion in Concepts Statement 2, as amended, the Board continues to believe that cost-effectiveness or cost-benefit is a limiting factor that applies to all of the qualitative characteristics. Therefore, it is addressed in the suggested guidelines, but it is not a separate qualitative characteristic.

EFFECTIVE COMMUNICATION

158. Users participating in the GASB discussion groups indicated that multiple communication approaches were important if SEA performance information is to be effectively communicated. These users also indicated that they wanted SEA performance information to be provided in more than one layer or level of detail, with different communication methods used for different layers. Users also strongly asserted that any widely distributed SEA report needs to be at an executive summary level, and as short as possible, to keep the attention of users.

159. Concepts Statement 2, as amended, describes governmental accountability as rendering an account or explaining one's actions to someone else who has the authority or power to assess performance and to make a judgment and take action. This process of accountability includes (a) reporting the results of one's actions, (b) analyzing the information reported and making a judgment by those to whom the government is accountable, and (c) exercising power in the form of stating approval or disapproval. The Board concluded that this requirement implies that an SEA report needs to be provided in a manner facilitating the understanding and analysis of the information by those to whom the government is accountable.

160. Most of the Request for Response respondents that commented on the issue of effective communication agreed that the suggested guidelines should address who the intended audiences of SEA reports are, how their needs influence what to include in an SEA report, and how to communicate SEA performance information. Because of the many different potential audiences for SEA performance information, it would be difficult to compile an exhaustive list of audiences and reporting recommendations for each of those audiences. However, the Board concluded that recognizing the importance of identifying the potential audiences for SEA performance information in the suggested guidelines may assist governments with the customization of SEA reports to better meet the needs of the intended audiences. The Board also concluded that if the suggested guidelines do not include a discussion of potential audiences, governments may not recognize how their intended audience influences the application of the guidelines in preparing an SEA report.

161. Generally, the respondents agreed that, although the contents of an effective SEA report were discussed in the suggested guidelines, the concept of how to communicate SEA performance was not fully developed. A number of the concepts of communication, such as multiple levels of reporting and disaggregation of information, were only briefly discussed in the various sections of the suggested guidelines. The Board concluded that an effective SEA report contains different levels of detail so users can find the level of SEA performance information for their interests, needs, levels of understanding,

education, and public involvement. The Board therefore agreed to include a discussion of multiple levels of reporting in the effective communication section, in the purpose and scope component, and in the understandability qualitative characteristic.

162. Some respondents noted that other related concepts, such as the forms of communicating SEA performance information (web-based reports, written reports, PDF files), were absent from the suggested guidelines in the Request for Response. The Board agreed with this recommendation and included in the suggested guidelines other possible forms of communicating SEA performance information that may provide preparers with ideas that will assist with the creation, delivery, and communication of effective SEA reports.

163. Based on comments received from some respondents, the Board agreed to include a further clarification that it is not necessary for an SEA report to be presented in a single document. The Board concluded that an SEA report can take many forms and the appropriate form needs to be selected based on the specific needs of the intended users.

164. Some respondents commenting on citizen involvement stated that involving and informing citizens and other potential users is one of the foundational reasons to prepare SEA reports. These respondents also stated that the role of public input should be clearly highlighted within the suggested guidelines. The Board concluded that if these reports are to provide useful information to users, then involving citizens and other potential users in the development of SEA reports and in obtaining feedback on reported performance is important. Some respondents were concerned that recommending involving citizens and other users in the development of SEA reports and obtaining feedback on reported performance is too prescriptive and can be construed as infringing upon the area of policy making. The Board believes that involving citizens and other users in the development of an SEA report and obtaining feedback on reported performance is part of the accountability process; however, the Board recognizes that the degree to which citizens are involved in the process is a matter of public policy. The Board also recognized that involving citizens and other users will assist governments in determining what information is important to users and, therefore, decided to include a discussion of the concept of citizen and other user involvement in the understandability qualitative characteristic.