

Improvements in City Government Performance Reporting

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Abstract

Performance activities, including external reporting, remain a hot topic among policy-makers, standard-setters, government managers and citizens. While there is still a long way to go, the quality and quantity of city performance reporting has improved substantially over the past 10 years. We compare the reports of 121 large cities to a study of 200 state agencies. The quality of the city and state reports are very similar with about 1% of the reports reaching high quality and over 30% of the reports making notable progress. The number of city departments that prepare reports (i.e. quantity) is much lower with less than 40% of city departments reporting online versus over 90% of state departments. We discuss four recent developments with the potential to increase reporting quality and quantity: 1) expanded recognition of quality reports, 2) a new “preparer-friendly” website, 3) initiatives by several national associations, and 4) ongoing guidance and support from the Governmental Accounting Standards Board.

Introduction

The idea that every local government would publish a report about its non-financial performance is over 100 years old. The actual sustained practice of quality performance reporting.....well that history has not yet started, at least not for any sizable group of local governments in the United States. We show the overall status of performance reporting is clearly mixed, with significant issues on both the positive and critical side of the spectrum.

On the positive side: 1) Exhibit 1 shows broad involvement throughout the nation, 2) Exhibit 2 shows substantial progress made in quality and quantity over the past 10 years, 3) a few cities have sustained quality reporting for many years, 4) new forms of support and recognition for preparers are appearing online (Exhibit 5); and 5) national associations continue to support and expand initiatives.

On the negative side: 1) Exhibit 2 shows the number of high quality reports is very low overall and non-existent in some departments, 2) Exhibit 3 shows the average reporting quality is low in each region and department, 3) Exhibit 3 also shows the frequency or quantity of cities that publish reports is low, 4) Exhibit 4 shows that the average score by each criterion is low, 5) GASB’s efforts are vocally opposed by some leaders in accounting, finance and budgeting, 6) it is costly to develop and maintain performance systems, and 7) grant funding has been severely reduced.

An overall conclusion is left to the reader and to the passage of time, but two things are clear: A) huge improvements have been made in the last decade, and B) additional improvements are needed to achieve the century-old vision of widespread quality reporting.

The City Reporting Study

In the Summer 2008 Journalⁱ, we discussed the external performance reports of 200 state agencies (each state's department of Corrections, Education, Human Services, and Transportation). We observed a large quantity of reports (96%), but low overall quality (50% of the score to earn AGA Certificate of Achievement) and rare high quality (only 1% might earn AGA Certificate). This study of cities, made possible with a generous financial grant from AGA's Academy for Government Accountability, is designed to determine: *What is the quantity and quality of stand-alone performance reporting by city departments?*

There are two major steps in our project: 1) finding the reports, and 2) assessing the quality of the reports. Our goals in selecting cities were to find the best examples of reporting as well as to analyze a sample of reporting across the nation. Thus, we started with the 100 largest cities by population which includes 30 states. We then added the largest city in each of the remaining states along with the District of Columbia making a total of 121 cities. We found a website for each of the cities and searched for a performance report covering the entire city as well as individual reports in four service areas: Fire, Parks, Police and Public Works.ⁱⁱ

We assess the quality of city reports using the same method described in the Summer 2008 Journal. Briefly, we train graduate students to serve as the “volunteer” coders and one of the professors or experienced graduate students serves as the “senior” coder using the AGA’s coding guidelines (available onlineⁱⁱⁱ). Each report is independently coded by two “volunteers” and one “senior” coder on the 16 criteria from GASB’s 2003 guidance^{iv}.

Each coder assigns a score between zero and 3 where a zero represents NOT meeting the criteria, a 1 means an ATTEMPT at the criteria, a 2 means the report MEETS the criteria and a 3 is a report that EXCEEDS the criteria. The three individuals then meet to discuss and revise their scores as needed. The three coders had unanimous agreement about 70% of the time. The other 30% of the time saw two coders agreeing and the third coder giving a score just 1 point higher or lower.^v The final “score” is the average score on each criteria divided by the score need to earn the AGA’s GOLD level of the Certificate of Achievement.^{vi}

Discussion of Results

Exhibit 1 shows the nation-wide involvement in the performance reporting movement. The twelve cities with a large red dot earned enough points for the GOLD or SILVER awards discussed below. Only one of the 121 cities (Durham, NC) earned these points for more than one report. The 48 cities with a small green dot are recognized for “notable progress” which we define as earning enough points for the BRONZE award or for preparing reports for at least 3 of the 5 departments we studied. Pockets of both excellence and lack of involvement occur throughout the US.

One concern from Exhibit 1 is the differences across regions. We find 75% of the states in the West and North Central have at least one city making “notable progress”. Less than 50% of the states in the South and North East have such cities. The good news is that all regions show a huge improvement over the 3% average rate in our study of city reports from 1997.^{vii}

We have been studying performance reporting for almost two decades and at least a dozen states have developed some reputation for quality performance initiatives (IA, FL, MD, MI, MN, NC, OR, TX, UT, SC, VA and WA). We were a little surprised from Exhibit 1 that just over half of these states had a city which showed “notable progress” (IA, MN, NC, OR, TX, VA and WA). Apparently, the knowledge and skill about performance activities at the state level is not transferring to the cities at a high rate.

Per Exhibit 2, we found more reports for police departments (54% of the 121 cities) than any other department. Fire department reports were found for 26% of the cities; public works 27%; and parks departments 17%. We were surprised by the large differences in reporting frequency and, except for the UCR below, have not done further research to uncover why police reporting is much more frequent.

According to the FBI, 93% of the population is protected by police departments reporting performance data using the Uniform Crime Report (UCR). According to FEMA, 46% of the nation’s fire departments report performance to the National Fire Incident Reporting System (NFIRS). Both of these are voluntary programs. Thus, only about one-half of the large city public safety departments that have performance data also provide performance reports to their citizens via their websites.

We did not look for state-wide reports in either the 1997 or 2008 studies, so we cannot compare the quality or quantity of only city-wide reports to comparable state reports. However, we were impressed with the high quality of a few of the city-wide reports and that several cities prepare city-wide reports as well as separate reports by department.

Exhibit 3 presents average quality for each of the departments summarized by region. The overall average of all of the departments is 51% which is virtually identical to our study of state agencies. The average frequency of 31% is much lower than the 96% for state agencies. We are not sure why state departments report much more frequently and have begun other research projects on this issue.

The quality of reporting on each criterion (Exhibit 4) is virtually the same across city and state departments. The average score for both cities (.90) and states (.87) is less than one (ATTEMPTS) which indicates significant room for future improvement. The best average score is only 1.39 out of 3 which means on average, reporters are not even half of the way to “MEET” any of the criteria. On the positive side, all but three criteria have an average score of .75 or better, which means the average report is close to making an ATTEMPT at most criteria.

The last column of Exhibit 4 lists the recently proposed categories in GASB’s 2008 document “Request for Response on Proposed Suggested Guidelines for Voluntary Reporting of SEA Performance Information.” The GASB proposes to reduce the number of criteria to 10. The criteria listed as N/A in 2008 are not explicitly listed as separate criteria in the new GASB guidance, but most of them are included within other criteria.

Of concern, is that three of the lowest four criteria from 2003 are not explicitly included in GASB’s new guidance (involvement in goals, reliable information, and citizen perceptions). Given the especially poor performance on these criteria, the GASB may want to give special attention to educating preparers and users about the importance and application of these concepts.

Exhibit 5 summarizes the changes in the award structure for the AGA Certificate of Achievement in Service Efforts and Accomplishments announced in the fall of 2008. The prior award structure had only one category which is the new GOLD level. We found very few reports (1%) that could attain the GOLD level and less than 10% that would earn the SILVER. The BRONZE level could be attained by over 30% of both city and state reports which is obviously good news and strong support for the new award structure.

Taken as a whole, these results suggest that performance reporting is a significant activity being done by many organizations and professionals. It is not entirely clear why the quality or frequency levels are low, nor why some organizations choose to publish a report online and others do not. We need additional research to know what drives the creation and publishing of widespread quality reports.

Recent Developments

At least four recent developments have the potential to improve the quality and quantity of reports. The first is the increase in number of award categories under the AGA Certificate program. The top level of quality, the GOLD award, is currently achieved by only 1% of the reports we examined. We believe that most governments can get to the GOLD level in 3-5 years by adopting a continuous improvement mindset. We estimate the SILVER level of quality is currently achievable by 5-10% of reports and most governments could get to the SILVER level in 2-3 years. The BRONZE level has been coined a “Winning Beginning” award and represents a substantial first effort towards quality external reporting. We estimate 30-40% of current reports achieve this level and that most governments can get to BRONZE in 1-2 years of focused attention.

The second development is the creation of the ExPeRT (EXternal PErformance Reporting Toolkit) website at Willamette University (www.willamette.edu/centers/publicpolicy/projects/expert). The website was created to assist preparers in understanding the GASB criteria and the AGA scoring. It provides step-by-step illustrations of what is required in order to improve a report’s quality. It is currently focused on quality as defined by AGA and GASB, but will be expanded to consider other frameworks as they become available.

The third development is the increase in performance related activity among professional associations. The International City/County Management Association (ICMA) has promoted performance reporting for 8 decades and the Urban Institute for at least 4 decades. Accounting standard-setters have been involved since the 1970’s with sustained effort at the GASB for 20 years. ICMA sponsors local consortia, the University of North Carolina supports a benchmarking consortia and within the past 5 years several local or regional associations have been formed including OPPMA (Oregon Public Performance Measurement Association), FBC (Florida Benchmarking Consortium), SERN (Southeast Results Network), and OMBI (Ontario Municipal Benchmarking Institute) to name a few. Nationally, we have the PPMRN (Public Performance Measurement Reporting Network) and perhaps the most ambitious is the NPMAC (National Performance Management Advisory Commission).

The final development is the ongoing activities at the Governmental Accounting Standards Board (GASB), including the release of two documents. Concepts Statement No 5 *Service Efforts and Accomplishments Reporting*, revisions to Concepts Statement No. 2, was released in December 2008. Concepts Statement No. 2 was originally issued in 1994. The revisions reflect the extensive research done and public comment received by the GASB. Among the key changes is GASB's clarification that:

It is beyond the scope of the GASB to establish the goals and objectives of state and local government services, to develop specific nonfinancial measures or indicators of service performance, or to set benchmarks for service performance. To emphasize this point, Concepts Statement 5 removes an entire section of Concepts Statement 2, titled, "Developing Reporting Standards for SEA Information."

The second document is a "Request for Response on Proposed Suggested Guidelines for Voluntary Reporting of SEA Performance Information." The last column of Exhibit 4 lists the 10 proposed criteria. Six of the criteria have existed within accounting concepts statements since the 1970's and will likely resonate with those trained in accounting (i.e. relevance, reliability, etc).

GASB's recent efforts are largely consistent with traditional standard-setting protocols, including: 1) not establishing an organization's goals or objectives, 2) not setting benchmarks, and 3) drawing from prior conceptual work. However, standard setters have historically wrestled with and provided specific guidance on difficult measurement problems such as providing details on what to measure and how to measure, such as OPEB.

The GASB appears to be responding to concerns expressed by constituents on both sides of what might be called the accounting divide. Those that oppose GASB's involvement invoke notions of internal managerial accounting where the measures are unique to the management concerns of a particular organization. Those that support GASB invoke notions of external reporting, where the measures are comparable, reliable, and perhaps audited to meet the needs of external stakeholders.

Conclusions

We find that high quality performance reporting is limited to a few cities, some of which have been doing quality reporting for 5 years or more.

The good news? Performance reporting appears to have passed the fad stage and entered a more mature stage, with more resources available and fewer barriers. In the last 10 years, we find many more cities that are preparing and sharing stand-alone performance reports on their websites.

The bad news? The quality of city reporting is at the same low level as state reporting with only 1% of reports at the GOLD level. The decrease in funding to support new efforts in this area is troublesome.

Time will tell which perspective is most accurate, but recent developments provide hope for continued improvement.

EXHIBIT 1
Performance Reporting by City Departments: High quality and High quantity



EXHIBIT 2
Overall Reporting Quality

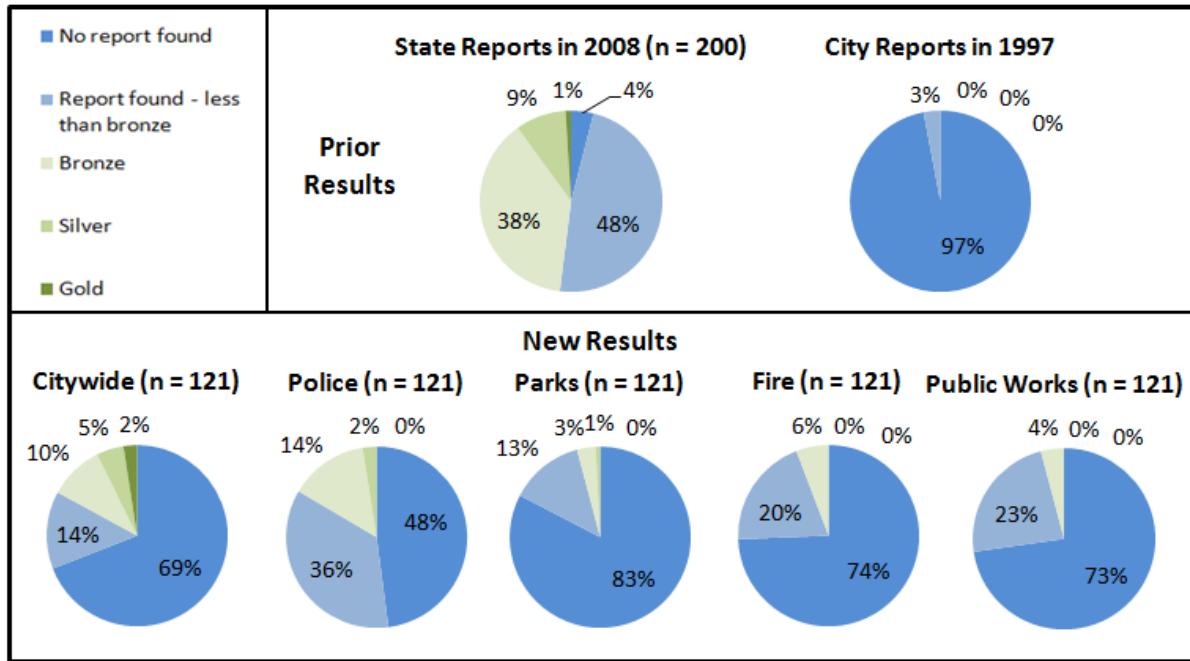


EXHIBIT 3
Average Performance Reporting Scores of Located Reports:
by Department and Region

Report Score – For Reports Located

	City-wide	Fire	Parks	Police	Public Works	Average
North Central	61%	46%	41%	57%	44%	50%
North East	75%	34%	37%	54%	64%	53%
South	61%	46%	48%	49%	40%	49%
West	61%	43%	54%	53%	47%	52%
Average	64%	43%	45%	53%	49%	51%
N - number of cities with a report	36	31	21	65	33	186
N% - percent of 121 cities with a report	30%	26%	17%	54%	27%	31%

EXHIBIT 4
City and State Scores by GASB 2003 and 2008 Criterion

Current Criteria (GASB 2003)	State Average	City Average	GASB 2008 Criteria Difference	
Easy to understand	1.12	1.39	.27	Easy to understand
Multiple levels	1.12	1.22	.10	--N/A--
Easy to find/access	1.06	1.19	.13	--N/A--
Relevant measures	1.21	1.13	(.08)	Relevant measures
Major Goals	1.10	1.10	-0-	Major Goals
Regular/timely	1.12	1.09	(.03)	Regular/timely
(Dis)aggregation	1.14	1.05	(.09)	--N/A--
Purpose & Scope	0.89	1.04	.15	Purpose & Scope
Consistency	0.91	1.02	.11	Consistency
Analyze results/challenges	0.96	0.95	(.01)	Analyze results/challenges
Key measures	0.94	0.95	.01	Key measures
Factors affecting results	0.79	0.80	.01	Factors affecting results
Comparisons	0.78	0.74	(.04)	Comparisons
Resources & efficiency	0.85	0.73	(.12)	--N/A--
Involvement in goals	0.41	0.42	.01	--N/A--
Reliable information	0.32	0.28	(.04)	Reliable information
Citizen perceptions	0.19	0.25	.06	--N/A--
Total	14.88	15.34		
Average per Criteria	.87	.90	.03	

EXHIBIT 5
Revised AGA Award Structure

LEVEL	Minimum Score	Zero's Allowed?	Maximum # of 1's allowed	% of City Department Reports ^{viii}	% of State Department Reports
GOLD (original)	30	NO	4	1%	1%
SILVER (new)	24	NO	N/A	6%	9%
BRONZE (new)	17	YES	N/A	30%	39%

ⁱ Smith, Cheng, Smith and Schiffel “Performance Reporting by State Agencies: Bridging the Gap between Current Practice and the GASB Suggested Criteria” *Journal of Government Financial Management*, Summer 2008, 57 (2): 42-47.

ⁱⁱ In addition to looking at the websites, we used Google to search for reports within each department using the following search terms: “Annual Report”, “Performance Report” and “Service Efforts and Accomplishments”. Several alternate search terms were tested based on the prior study of state agencies and from a preliminary analysis of the city websites. We found several reports on a website while NOT finding that report via the Google search as well as finding a report via the Google search and NOT finding it while looking at the website. We are in the process of writing a separate article describing the significant difficulties in locating reports online.

ⁱⁱⁱ The AGA Guidelines have been modified slightly each year since the program began in 2004. We used the 2005 guidance in the state study and the 2007 criteria in the city study, though we did not note any significant scoring differences.

^{iv} GASB 2003 “Suggested Guidelines for Performance Reporting”

^v When there was disparity in the coding, the coders discussed the issues until consensus was reached. After coders were trained on a handful of reports, most of the initial scores were equal or within one point. In most of these cases, one of the coders missed something in their review. After observing almost 400 iterations of report scoring, we believe the system is reliable as long as the senior coder facilitates debate until a consensus occurs.

^{vi} In order to “win” the original or GOLD Certificate, the AGA requires that for at least 13 of the 17 suggested criteria, 2 of the 3 reviewers conclude the criterion was met, (i.e., at least 2 points are assigned); and no criterion was deemed by 2 of the 3 reviewers as not met (i.e., 0 points). Thus, a minimum score of 30 out of a possible 51 (three times 17) is needed to win. Rather than showing raw scores, we divide each agency’s score by 30 – so 100% represents enough points to earn the GOLD Certificate. A score of 100% does not automatically result in winning the GOLD level, but we feel it is a useful and easily understood benchmark of quality.

^{vii} Smith, Kenneth A. “Voluntarily Reporting Performance Measures to the Public: A Test of Accounting Reports from U.S. Cities”, International Public Management Journal, 2004 Volume 7:1, pp. 19-48.

^{viii} These percentages are the proportion of reports that met the criteria divided by the reports we located. Since we did not locate city reports for almost 70% of the departments, the proportion of all city departments that reach these levels would be much lower. The percentages for state departments would hardly change since we located reports for 96% of state departments.