



Governmental Accounting Standards Board  
of the Financial Accounting Foundation

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## ***GASB Proposes Suggested Guidelines for Governments That Voluntarily Choose to Report on Their Service Performance***

A Request for Response titled, *Suggested Guidelines for Voluntary Reporting of SEA Performance Information*, was issued for comment by the Governmental Accounting Standards Board (GASB) on July 31, 2008. The goal of the Request for Response is to seek public input on the GASB's proposals on these suggested guidelines at an early stage of this project, before deciding how to proceed with the project.

Traditional financial statements provide financial performance information about a government's fiscal and operational accountability, but they do not provide all the information needed 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. Without information about a government's service efforts and accomplishments (SEA), it is impossible to know how efficiently or cost effectively roads were paved, how well children were educated, or the impact of police services on crime, and how that performance may have changed over time. The objective of SEA reporting is to provide the public with just this kind of information. Although only suggestions, if these voluntary reporting guidelines were ultimately adopted, they could assist governments in improving the quality of their reported SEA performance information and thereby provide citizens, elected officials, and other interested parties with decision-useful information that will allow them to determine how well a government is using the resources entrusted to it.

### ***What Is SEA reporting?***

SEA reporting has been a part of the GASB's agenda since it was established in 1984, and its roots can be traced much further back in the history of governmental accounting and financial reporting. The expected goal of SEA reporting is to assist users of this information (including citizen groups, city council members, parents of public school children, and other interested persons) in evaluating the operational efficiency of the services governments provide and to offer the means to measure governments' effectiveness in achieving their goals and objectives.

SEA performance information includes data regarding a government's:

- Inputs (like the number of police officers, or tons of asphalt used to repair roads)
- Outputs (such as the graduation rate at area high schools, or gallons of wastewater treated annually)
- Outcomes (for instance, percentage of emergency medical service incidents responded to within 5 minutes, or the physical condition rating of roads)
- Efficiency (cost per ton of trash collected, or cost per child enrolled in an after school program).

It is important to note that the GASB has determined that it is beyond its scope 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. Extensive research has indicated that it is appropriate for the GASB to consider setting out conceptually based suggested guidelines for governments that want to report SEA performance information.

### ***What Is the GASB Seeking Input On?***

The Request for Response lays out a proposed framework of suggested guidelines that are intended to help state and local governments communicate their SEA performance information effectively.

The GASB began by considering the 16 suggested criteria presented in its staff's 2003 Special Report, *Reporting Performance Information: Suggested Criteria for Effective Communication*. During the three years following publication of the Special Report, the GASB staff monitored the use of the suggested criteria and conducted research on their value and the importance of the GASB's involvement in SEA reporting. The research included field interviews with preparers, attestors, senior management, elected officials, and citizens, and a random telephone survey of government finance officers. This research found that the suggested criteria were being used and were perceived as being valuable in preparing SEA reports.

A significant amount of additional work on those criteria, informed by discussions with and input from a broad spectrum of knowledgeable people in government and outside of government, led to the proposed suggested guidelines detailed in the Request for Response. These proposed suggested guidelines are composed of the *essential components of effective SEA reports and qualitative characteristics of SEA performance information*.

The four proposed essential components of an effective SEA report are:

- Purpose and scope
- Major goals and objectives
- Key measures of SEA performance
- Discussion and analysis of results and challenges.

The six qualitative characteristics of SEA performance information, which are drawn from GASB Concepts Statement No. 2, *Service Efforts and Accomplishments Reporting*, are:

- Relevance
- Understandability
- Comparability
- Timeliness
- Consistency
- Reliability.

### **What Are the Proposed Essential Components?**

The four proposed essential components are the *types* of information an SEA report needs to contain in order to effectively communicate information that can assist SEA report users in assessing the efficiency and effectiveness of government services.

The *purpose and scope* component is intended to convey *why* the information is being reported and *what portion of a government* it relates to. An effective SEA report describes why a government is publishing the report, the intended audience of the report, what the reported information is intended to communicate, and how the reported information can assist the readers in assessing SEA performance and making decisions.

Presenting a government's *major goals and objectives* provides a basis for assessing the degree to which a government has achieved the intended results of its programs and services. An effective SEA report helps the readers consider whether the indicated purpose of a program or service is consistent with what they believe is important. 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 specified shorter period.

Reporting the *key measures of SEA performance* is intended to focus the report on those measures that are most important to the readers and should serve to provide them with enough information to develop their own conclusions about important aspects of a government's performance. At the same time, focusing on key measures is intended to avoid overwhelming the readers with too much information.

The *discussion and analysis of results and challenges* is expected to be an objective narrative written by a government's management, explaining what has been achieved and what factors affected the level of achievement. The discussion combines the reporting of the major and critical results with management's understanding of the reasons why the actual results may vary from the expected or intended results.

## **What Are the Qualitative Characteristics?**

The six qualitative characteristics represent the *traits* of the information contained in an SEA report that effectively communicates SEA performance to users.

*Relevance*—Relevant information in an SEA report improves a user’s ability to assess the level of accomplishment of a government’s goals and objectives with potentially significant accountability or decision-making implications.

*Understandability*—SEA performance information is readily comprehensible.

*Comparability*—A clear frame of reference for assessing the SEA performance of a government and its agencies, departments, programs, or services exists within an effective SEA report. Effective SEA reports include comparative information such as the same measures from earlier periods, established targets, industry standards, or other similar governments that provide users with a basis and context for assessing a government’s performance.

*Timeliness*—SEA performance information needs to be issued while it is still of value in assessing accountability and making decisions. While timeliness alone does not make information useful, the passage of time can render even the most accurate information of limited value.

*Consistency*—A basis for comparing similar SEA performance information over time is important. If a measure has been modified or replaced, the report should explain the reasons behind the change.

*Reliability*—It is important for the readers to know if they can rely on the reported SEA performance information. The information needs to be verifiable, free from bias, and a faithful representation of what it purports to represent.

Together, these four proposed essential components and six qualitative characteristics form the GASB’s proposal for a framework for effective communication of SEA performance information. Through the further development of this framework for external reporting of SEA performance information, governments will be better able to communicate publicly about the extent to which goals and objectives are being met, how effectively and efficiently services are being provided, and the degree to which these services are benefiting the citizens. If the GASB moves forward with this proposal, users of the information contained in SEA reports will be in better position to assess a government’s SEA performance and how it may have changed over time.

## **How Can You Respond to the GASB?**

You can assist the GASB to determine the direction of its efforts to develop suggested guidelines for voluntary reporting of SEA performance information by reading the Request for Response and providing feedback. The document is available to download free from the GASB website, [www.gasb.org/exp](http://www.gasb.org/exp). It is most helpful if you

react to not only the aspects you disagree with, but also those that you support. In addition, it is most valuable to the GASB when respondents explain why they support or oppose a particular facet of a proposal. The GASB also is inviting respondents to submit any alternative examples that would be clearer and more helpful to readers. You can submit comments through an Internet comment form, by email, or traditional mail. *The deadline for submitting written comments is October 31.*

You also can voice your opinion directly to the GASB members. The GASB will be holding a public hearing in Orlando, Florida, on November 14 in conjunction with the National League of Cities' Annual Congress of Cities and Exposition. A forum for external users of SEA performance information—city council members, legislators, and their staff, citizen and taxpayer groups, oversight bodies, analysts of municipal bonds, and others without direct access to a government's SEA performance information—will be held on November 7 in New York City. You can participate in the public hearing or user forum in person or via telephone.

Additional information about responding to the proposal or participating in the hearing or user forum can be found in the front of the Request for Response.

- [Download the Request for Response](#)
- [Find More Information about the GASB's SEA Project](#)
- [Visit the Performance Reporting for Government Website](#)