FLORIDA STATE UNIVERSITY

IMPLEMENTATION OF PERFORMANCE REPORTING IN FLORIDA’S ANNUAL FINANCIAL STATEMENTS:

An Analysis of Options

AN ACTION REPORT SUBMITTED TO THE FACULTY OF THE COLLEGE OF SOCIAL SCIENCE IN CANDIDACY FOR THE DEGREE OF MASTER OF PUBLIC ADMINISTRATION

REUBIN O’ D. ASKEW SCHOOL OF PUBLIC ADMINISTRATION POLICY

BY

SHARON PAULETT

TALLAHASSEE, FLORIDA

SPRING 2004
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TALLAHASSEE, FLORIDA

APRIL, 2004
April 20, 2004

Mr. Tom Gallagher
Chief Financial Officer
Department of Financial Services
200 East Gaines Street
Tallahassee, Florida 32399-0354

Dear Mr. Gallagher:

I have the honor to submit to you Implementation of Performance Measures in Florida’s Financial Statements: An Analysis of Options. The report is the product of extensive research and analysis over the spring months of 2004. Performance measurement captures the inputs, outputs, and outcomes of programs that measure the efficiency and effectiveness of their operations. Accountability requires governments to answer to the citizenry concerning agency programs and their results, therefore performance measures data should be an essential part of Florida’s external financial reporting to the public.

After examining several alternative policies, my recommendation is that Florida should report performance measurement data in the statistical section of the Comprehensive Financial Annual Report. This policy alternative was recommended based on the use of four criteria: political support, feasibility, administrative cost, and availability of data. This alternative scores highly on the feasibility, administrative cost, and availability of data. Expansion of the current procedures already in place within the Department of Financial Services could implement performance measures data for each agency in the CAFR with little or no additional cost using the current staff, equipment, and software. The necessary information is already available in the mandated performance measurement reports required by the Legislature in their budget process. Political support can be achieved with a strategic plan for agency management that includes written goals and objectives from your department that emphasize government accountability and the importance of performance measures reporting.

The other alternatives were more costly to implement and required new procedures within the agencies to implement the information in the computer system. The alternative to remain status quo would cause the current government’s accountability practices to remain in noncompliance with GASB’s recommendations to include performance measures reporting in the CAFR. Therefore, this recommendation has the potential to improve accountability of state government and the overall efficiency and effectiveness of the programs within the agencies.

Respectfully,

Sharon Paulett
Professional Accountant
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EXECUTIVE SUMMARY

Governments' accounting for efficiency and effectiveness in providing services should be an essential part of its external financial reporting to the public. However, the state of Florida has not incorporated this idea into their financial statement preparation process to date. The current budget process incorporates performance measurement reporting by each agency to the Legislature. Agency performance standards and actual results are compared, analyzed, and reported internally to the Governor and the Legislature for decisions on appropriation bills. Since the performance measurement information is already available, implementation into the external financial statement preparation process would be feasible.

The Department of Financial Services is responsible for the core constitutional responsibilities of accounting for the state. The Bureau of Accounting helps to ensure that the state’s Comprehensive Annual Financial Report (CAFR) is prepared in accordance with appropriate standards, rules, regulations, and statutes per GASB. In accordance with its responsibilities, the Bureau establishes accounting policies and promotes uniform accounting and reporting by all local governments.

Information for this report was collected using the following methods: analysis of academic literature such as articles and books on performance measures reporting using WEBLUIS and the Internet; review of statistical data taken from a survey conducted by GASB on state and local government’s current performance measures reporting procedures; review of applicable laws, rules, regulations, policies, planning documents and accounting standards of the Florida Legislature, Florida agencies, GASB, AICPA, and the Federal Government; and two unstructured interviews with management from the Department of Financial Services Accounting Division and the Office of Policy, Procedure, and Governmental Accountability (OPPAGA).
This report presents three of the most promising alternatives to implementing performance measurement reporting in Florida’s financial statements (the fourth alternative is to remain status quo). Each was evaluated using the four criteria detailed previously: political support, administrative feasibility, administrative cost, and availability of the data. The options are designed to guide policy makers toward the most viable strategic policy to implement performance measurement reporting.

The best alternative is implementing the new reporting policy in the existing CAFR generated by the Bureau of Accounting within the Department of Financial Services. The Bureau would simply expand current procedures to incorporate the approved performance measures standards and actual results reported to the Legislature in the budget process within the statistical section of the CAFR which is not subject to audit. The state would be in compliance with GASB guidelines. The Bureau would be a step ahead of the game for when GASB publishes a statement requiring service efforts and accomplishments (performance measures) to be reported in the CAFR.

Administrative costs ranked very positive for this alternative due to the fact the Department of Financial Services has existing staff, personnel, and equipment already available and included in their operating budget. Administrative feasibility ranked very positive for this alternative due to the fact the operating procedures are already streamlined for the necessary reports. Availability of data ranked very positive for this alternative due to the fact the data is gathered and reported to the Legislature in the budget process. The other alternatives were more costly to implement and required new procedures within the agencies to implement the data in a different format. The alternative for status quo scored negative due to the fact government’s accountability practices are not in conformance with GASB’s recommendations and the overall needs of the citizenry.
I. PROBLEM STATEMENT

Accountability requires governments to answer to the citizenry and to justify the raising of public resources and the purposes for which they are used. Government accountability is based on the belief that the citizenry has a right to receive openly declared facts that may lead to public debate by the citizens and their elected representatives. Governments' accounting for efficiency and effectiveness in providing services should be an essential part of its external financial reporting to the public.

On August 3, 1993, President Clinton signed into law the Government Performance and Results Act (GPRA). This act requires federally funded agencies to develop and implement an accountability system based on performance measurement, including setting goals, objectives and measuring progress toward achieving them. In 1994, the Florida Legislature signed into law the Government Performance and Accountability Act requiring all state agencies to convert to performance based program budgeting (PB2). The purpose of PB2 is to focus attention during the budgeting process on an agency’s program results and outcomes to evaluate agency performance to determine if tax dollars are being used efficiently and effectively.

Organized in 1984, the Government Accounting Standards Board (GASB) establishes standards of state and local government accounting and financial reporting that will result in useful information for users of financial reports and guide and educate the public. The American Institute of Certified Public Accountants recognizes GASB as authoritative. GASB issued Concepts Statement No. 2, titled “Service Efforts and Accomplishments Reporting” (1994). This statement was significant in that it put forth the notion that performance measurement reporting is considered an essential part of external financial statement reporting for state and local governments. Currently, Florida’s external financial statements do not include performance measurement data.
GASB issued Statement No. 34, titled “Basic Financial Statements for State and Local Governments” (1999) which requires preparation of a government-wide financial statement known as the Comprehensive Annual Financial Report (CAFR). GASB believes this external financial statement should include performance measurement data. However, the state of Florida has not incorporated this idea into their financial statement preparation process to date.

The current budget process in Florida incorporates performance measurement reporting by each agency to the Legislature. Agency performance standards and actual results are compared, analyzed, and reported internally to the Governor and the Legislature for decisions on appropriation bills. Since the performance measurement data is already available, implementation into the external financial statement preparation process would be feasible (Florida Legislature, 2002).

The Florida Department of Financial Services is responsible for the core constitutional responsibilities of accounting for the state. The mission of the Division of Accounting and Auditing is to provide fiscal support to the citizens and other state agencies. The Bureau of Accounting helps to ensure that the state’s CAFR is prepared in accordance with appropriate standards, rules, regulations, and statutes per GASB. In accordance with its responsibilities, the Bureau establishes accounting policies and promotes uniform accounting and reporting by all local governments.

The purpose of this Action Report is to examine four alternative solutions in the implementation of a new policy and procedures that would incorporate performance measurement reporting in Florida’s external financial statements. The process would be under the direction of The Department of Financial Services with cooperation from the state agencies.
II. BACKGROUND AND LITERATURE REVIEW

Background

This project examines three major areas of performance measurement reporting in Florida’s financial statements. The three major areas are: review of the evolution of performance measurement reporting; discussion of the current trends in performance measurement reporting along with the state’s approach; and strategies for implementation of the necessary core elements.

First, the evolution of performance measurement reporting is summarized by Performance Measurement for Government (2003) which addresses the necessity of performance measurement reporting in external financial statements by using a historical timeline of facts. The facts are as follows:

• Performance measurement reporting is tied directly to the concept of managing for results. Performance information is needed for setting goals and objectives; planning program activities to accomplish these goals and objectives; allocating resources to programs; monitoring and evaluating results to determine if progress is being made toward achieving the goals and objectives; and modifying program plans to enhance performance. The performance indicators that are used in current practice in most performance measurement systems are inputs defined as dollar costs of the service and the amount of non-monetary resources expended; outputs defined as the amount of workload accomplished; and outcomes defined as a numerical indicator of program results, quality and effectiveness of the programs.

• The nature of governmental accountability from an accounting perspective started in 1970 when the American Accounting Association’s (AAA) Committee on Concepts of Accounting Applicable to the Public Sector divided what entities are accountable for into four parts: a) financial resources, b) faithful compliance or adherence to legal requirements and administrative policies, c) efficiency and economy in operations, and d) the results of government programs and activities as reflected in accomplishments, benefits, and effectiveness. From a functional perspective, accountability has been presented in the form of a ladder comprising five levels: 1) policy accountability in selection of policies pursued and rejected, 2) program accountability in the establishment and achievement of goals, 3) performance accountability in an efficient operation, 4) process accountability in using adequate procedures in performing the actions called for, and 5) legality accountability in spending funds in accordance with the approved budget and being in compliance with laws and regulations. Evolution of governmental accountability has its roots deep in history and is based on the underlying principle that the ultimate power to decide is vested in the people.
• Traditional governmental financial reporting has attempted to provide accountability and decision-making information primarily about fiscal stewardship. Reports provide information that assists users in assessing whether financial resources were expended in compliance with the budget and other legal mandates. Due to the fact there is no “net profit” measure of performance for governments, the accountability obligation requires that relevant information about the outcomes of the entity’s programs also be communicated to elected officials and the citizenry to assist them in assessing the entity’s performance and exercising their power.

• The objectives of financial reporting for private-sector business enterprises and not-for-profit organizations governed by the Financial Accounting Standards Board (FASB) Concepts Statements require that financial reporting should provide information about an enterprise’s financial performance during a period. Financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it. Earnings information is commonly the focus for assessing stewardship or accountability.

• Performance measurement reporting by state and local governments is necessary to provide information about efficiency and effectiveness in providing services. To provide information about essential aspects of governmental performance measures that include information about both acquisition and use of financial resources and service efforts and accomplishments measured by inputs, outputs, and outcomes.

• Characteristics that performance information should possess are: a) relevance based on the many goals and objectives of different agencies, b) understandability of the information using different forms or reporting such as tables, charts and graphs, c) comparability to earlier fiscal years and targets established by the entity in the budgetary process, d) timeliness so that the data will be available to users before it loses value, e) consistency to allow users to have a basis for comparing performance over time from period to period, and f) reliability of the information to be verifiable and free from bias.

• Developing reporting standards for performance information is the goal of GASB. Extensive experimentation in measuring and reporting performance is currently underway in order to establish performance-reporting standards. There is a need for involvement of management, professional groups, elected officials, and citizens. Reporting standards might take different approaches for different groups such as: require reporting without specifying the particular performance measures that should be reported by the agencies; establish a minimum core set of performance measures for each agency; or focus on agencies where performance measures already exist. The location of performance information is important. The information will most likely be reported as a separate report or may be reported as part of required supplementary information or in the statistical section of the comprehensive annual financial report.

This concludes the evolution of performance measurement reporting as summarized by Performance Measurement for Government (2003) using a historical timeline of facts. It is important to understand the past historical trends in financial reporting in order to improve
the current process for future generations and expand accountability in reporting
requirements.

Second, the current trend for reporting performance measures in the state of Florida
began with the passage of the “Government Performance and Accountability Act” (1994)
which requires all state agencies to convert to PB2 in accordance with a specified schedule.
The agencies submit a Legislative Budget Request in the PB2 format. The principal theory
behind PB2 is that funding decisions should be tied directly to program performance.
Agencies that meet the performance standards may be rewarded via increased budget and
personnel flexibility, the retention of unencumbered appropriations, employee bonuses and
resource improvements. Agencies that fail to meet performance standards may be sanctioned
or their programs eliminated. Results-based management is not limited to the federal sector.
After the GPRA became law in 1993, recent studies show that 34 percent of counties with
populations over 50,000 and 38 percent of cities with populations over 25,000 use some type
of performance measurement system. (Bryson and Crosby, 2003). State and local
governments that voluntarily embark on performance measurement systems are probably just
staying slightly ahead of the curve. Many experts believe the Governmental Accounting
Standards Board will soon require these jurisdictions to provide “service efforts and
accomplishments,” which are tantamount to performance measures.

Third, strategies need to be identified in order to guide the implementation process of
performance measurement reporting. GASB has issued a special report titled “Reporting
Performance Information: Suggested Criteria for Effective Communication” (2003). The
purpose of the report was to describe a set of criteria that state and local governments can use
in preparing an effective report on performance information. The 16 criteria are arranged in
three broad categories: a) the external report on performance information, b) what
performance information to report, and c) communication of performance information.
GASB’s survey revealed out of 900 state and local governments only 25% stated that they report outputs to internal management, 24% to elected officials, and 21% to citizens and the media. The reporting of outcome measures is quite similar with 25% reporting to internal management, 24% to elected officials, and 21% to citizens and media. A larger portion of state departments indicated that they report outputs and outcomes than do other types of entities. For outputs, 40% of the state departments say they report output measures to internal management, 36% to elected officials, and 31% to citizens and the media. For outcomes, 40% of the state departments report to internal management, 42% to elected officials, and 30% to citizens and the media (Performance Measurement of Government, 2003).

Implementing new policies and plans is a complex and messy process involving many actors and organizations that have a host of complementary, competing, and often contradictory goals and interests. Bryson and Crosby (2003) describe two different approaches to implementation planning. The approach relevant to this report is called “forward mapping”. This approach is a rational planning model that begins at the top of the process, with as clear a statement as possible of the policymaker’s intent, and proceeds through a sequence of increasingly more specific steps to define what is expected of implementers at each level. At the bottom of the process one states what a satisfactory outcome would be measured in terms of the original statement of intent.

Common pitfalls to implementation include: resistance based on attitudes and beliefs, personnel problems such as inadequate training, poorly designed incentives, communication problems, and an absence of rules and resources. Leaders in any implementation process build a new regime with a statement that will become a vision of success that includes the regime’s mission, basic strategies, performance criteria, important decision rules, and ethical standards. (Bryson and Crosby, 2003). The Department of Financial Services will have the responsibility to develop implementation strategy documents and action plans to guide
implementation of the new external reporting process and focus attention on necessary decisions, actions, and responsible parties.

In summary, the background information highlighted the evolution of performance measurement reporting, the current process utilized in the state of Florida, and the strategy needed for the implementation of core elements.

**Literature Review**

The pertinent literature addresses the technical aspects of accounting and reporting for state and local entities. The three themes which have implications for performance measurement reporting are definition of performance measurement reporting, the current trends of performance measurement reporting, and implementing performance measurement reporting in government financial statements.

First, the literature presented by GASB concepts, principles, and statements defines performance measures in terms of indicators of government accountability. (GASB Concepts Statement No. 2, 2003; GASB Statement No. 34, 2003; Performance Measurement for Government, 2003). By publishing a variety of guidelines on defining performance measures as inputs, outputs, and outcomes, measures that relate efforts to accomplishments, and additional explanatory material managers can discern what information is needed to include in the external financial reports to assess governmental performance more fully.

Second, the literature presented by a GASB survey, the GASB Performance Measurement Project, and the reporting procedures of the Florida Department of Financial Services, the Legislature, and the Department of Revenue discuss current trends in reporting procedures (Performance Measurement of Government, 2003; Florida Department of Revenue, 2002; Florida Legislature, 2002; Florida Department of Financial Services, 2003). The literature on current agency reporting procedures within the Department of Financial Services, along with the current Florida Legislative Budget process, reveals loopholes in the external financial reports and compliance with performance measurement reporting recommended by GASB.
Third, the literature on implementation techniques in public policy describes how to successfully implement new policy and the steps necessary to get the process on board smoothly. (Bryson and Crosby, 2003; Performance Measurement for Government (2003). The necessary links to fill the missing loopholes could be corrected using implementation policy and action plans, flowcharting new processes, and agency responsibility for the final report. Implementing new policies and plans is a complex and messy process involving many actors and organizations that have a host of complementary, competing, and often contradictory goals and interests.

In summary, the literature details three themes that have implications for performance measurement reporting in external financial statements. The themes correspond to the broader categories of definition, current trends, and implementation techniques. The literature finds numerous reasons to examine and pursue alternatives to incorporate performance measurement reporting in external financial statements of government entities. The present study builds upon this literature by using specific criteria to evaluate four leading alternatives. Specific recommendations will be made to help policy leaders determine the most appropriate alternative. In this report, the Department of Financial Services will have the responsibility to develop implementation strategy documents and action plans to guide implementation of the new external reporting process and focus attention on necessary decisions, actions, and responsible parties.
III. METHODOLOGY & EVALUATION CRITERIA

Methodology

Information for this report will be collected using the following methods:

- Analysis of literature such as articles and books on performance measures reporting using WebLuis (2003), MyFlorida.com (2003), Seagov.org (2003), GFOA.org (2003), and GASB.org. (2003).

- Review of statistical data taken from a survey conducted by GASB on state and local government’s current performance measures reporting procedures

- Review of applicable laws, rules, regulations, policies, planning documents and accounting standards of the Florida Legislature, Florida agencies, GASB, AICPA, and the Federal Government

- Two unstructured interviews with management from the Department of Financial Services Accounting Division and the Office of Policy, Procedure, and Governmental Accountability (OPPAGA).

Academic literature and a survey conducted by GASB provided insight into the historical background of performance measurement reporting and the current condition of voluntary compliance nationwide. Applicable state laws were reviewed and analyzed to determine the statutory requirements for performance measurement reporting. Accounting concepts and statements provided authoritative positions on implementing performance measurement reporting in government financial statements.

Administrators will give their viewpoint on whether to include performance measures data in the Consolidated Annual Financial Statements (CAFR); the estimated costs of implementation, and the use of other forms of communication that could be implemented such as the Agency Annual Report or the Florida Citizen’s Report.

Evalutive Criteria

Four criteria will be used to evaluate the proposed policy options: political support, administrative cost, administrative feasibility, and availability of data. Each criterion will be measured on a decision matrix with a ranking scale of one to five with one being very
negative and five being very positive. Scores for each alternative will be summed based on
the analyst’s assessment of the extent which the option meets the criteria.

The criteria are:

- Political support rates the willingness of agency management and the Florida Legislature to incorporate new reporting procedures for performance measures in the financial statements. An alternative would score low if management and the Legislature were against implementing a new procedure for performance measurement reporting. The data sources for political support will be a GASB survey of state and local government, interviews with agency management, and current federal and state laws.

- Administrative cost rates the estimated increase or decrease in direct and indirect expenses such as additional personnel, equipment, and software in order to implement the performance measurement reporting procedures. An alternative would score low if it would be expensive for the state agency to implement the new performance measurement reporting policy. The data source for administrative cost will be data collected in interviews with management and current operating budgets for each agency.

- Administrative feasibility rates the ability of an agency to implement new procedures for performance measurement reporting based on their current accounting processes already in place. An alternative would score low if the agency would have to greatly alter or throw out their current process altogether in order to implement a new strategy to incorporate procedures to report performance measures data in their financial statements. The data sources for feasibility will be implementation flowcharts constructed by the author with input from agency management of the new procedures needed for each alternative.

- Data availability rates the impact of the existence or nonexistence of performance measure data necessary for a new report on performance measures by the applicable agencies. It also rates the subsequent availability of the new report to the citizens after implementation of the new policy and procedures is complete. An alternative would score low if the data were not available by the agencies to report in the financial documents and the data were not available in a reportable format for access by the citizens after implementation. Data sources for this criteria will be the performance measures standards currently mandated by the Legislature and the implementation flowcharts constructed by the author which will document a new report that will be available for download on the internet and accessible to the citizenry.

These criteria are selected as representative of the considerations made in the evaluation of performance measurement reporting. One limitation of this study is the lack of a complete public opinion poll to determine support for implementation of performance measures data in the financial statements available in a report for public distribution. However, the current research on this issue reveals that developing reporting standards for performance
information is the goal of GASB. Extensive experimentation in order to establish performance-reporting standards is currently underway. The research will incorporate involvement of management, professional groups, elected officials, and citizens.
IV. MANAGEMENT POLICY OPTIONS

Section IV explains three of the most promising alternatives to implementing performance measurement reporting in Florida’s financial statements. The fourth alternative is to remain status quo. Each alternative will be evaluated using the four criteria detailed previously: political support, administrative feasibility, administrative cost, and availability of the data. The options are designed to guide policy makers toward the most viable strategic policy to implement performance measurement reporting.

Option One: Comprehensive Annual Financial Report

The Division of Accounting and Auditing within the Department of Financial Services generates this report. This alternative would put the responsibility on the Department of Financial Services to implement a strategic plan with revised procedures for all agency heads in providing performance measurement data to incorporate in the CAFR. This could be accomplished in the statistical and economic data section or the other required supplementary information section included already as part of the financial section of the CAFR. The CAFR is responsible for reporting the state’s financial operations and net assets and is currently available to the public on the agency’s Internet web site.

Political Support: There is a lack of support on behalf of elected officials and agency management to report possible below-target performance results. Management feels the data could be taken out of context or possibly end up on the front page of the newspaper (Niven, 2002). State Representative Gary VanLandingham (personal communication, December 6, 2003) believes the state needs to have a “report card” on its performance results. The Sunshine Law and Freedom of Information Act legislation dictate that any data relating to a public sector system must be released to any citizen requesting the information. The goal is to foster positive responses with the elected officials and management by increasing the feeling that the risk of greater performance offered by managing for results outweighs the potential
for public and media confusion. Survey results of a project conducted by GASB using a sample size of 900 state and local governments revealed that less than half are incorporating performance measures in their budget processes and agency management (see appendix C for the survey). The Legislature and Department of Financial Services will have to incorporate a new vision to improve on customer service and accountability (Niven, 2002) (see appendix B for a flowchart of the strategic plan).

**Administrative cost:** The staff, equipment, and software are already in place within the Department of Financial Services to incorporate the performance measures results in the statistical section of the CAFR. Certified accountants and auditors currently on staff would simply incorporate the additional information in the appropriate section of the CAFR report. Computer programmers would not need to generate a whole new report format but would simply add on to the existing format already designed in the software (Department of Financial Services, 2003). Also, the statistical section of the report is not required to be audited per GASB, therefore, no additional staffing costs for auditing services would be incurred (GASB, 2003). The current CAFR report can be found on the Department of Financial Services web site ([www.dbf.state.fl.us](http://www.dbf.state.fl.us), 2003).

**Administrative feasibility:** The administrative processes in generating the report are currently streamlined within the Department. Adding a new step to have the performance measures information approved by the Legislature routed to the Department of Financial Services Accounting Division for incorporation in the CAFR report is feasible (Department of Financial Services, 2003) (see appendix D for a flowchart of this process).

**Availability of data:** The Legislature already mandates performance measures data in the appropriation process in the budget cycle annually (Florida Legislature, 2003). The data would be added to the report and then made available to all stakeholders on the Internet site for the agency (see appendix I for an example of the DOR annual report) (see appendix H for examples of agency performance measures standards required by the Legislature).
In summary, the CAFR alternative scores high on the feasibility, administrative cost, and availability of data criteria. Political support scores fair since there would have to be some necessary strategic changes made within management’s way of thinking to accept and implement the new reporting format. This could be done successfully with a strategic plan including written goals and objectives to include the overall agency (Niven, 2002) (see appendix B for a flowchart of the strategic plan).

**Option Two: The Florida Citizen’s Report**

The Citizen’s Report highlights certain information derived from the CAFR. The purpose is to present significant information regarding the financial operations of the State in an easily understandable format. To better inform the public about governmental financial operations, many states have begun to issue simplified financial reports such as this, referred to as popular reports. The Department of Financial Services prepares this report and it is available on their web site (www.dbf.state.fl.us, 2003).

*Political Support:* Again, there is a lack of support on behalf of elected officials and agency management to report below target performance results to the public (Niven, 2002). The Legislature and Department of Financial Services will have to incorporate a new vision within the agencies to improve on customer service and meeting the guidelines of GASB (see appendix B for a flowchart of the strategic plan).

*Administrative cost:* Staff, equipment, and software are already in place within the Department of Financial Services to generate this report. No additional costs are anticipated (Department of Financial Services, 2003) (see appendix E for a flowchart of the process).

*Administrative feasibility:* The administrative processes are currently streamlined within the Department. According to the flowchart in Appendix E, adding a new step to incorporate the performance measures data approved by the Legislature to be routed to agency
management for incorporation into the existing report is very feasible (Department of Financial Services, 2003).

Availability of data: The Legislature already mandates performance measures results to be reported in the appropriation process during the budget cycle annually (Florida Legislature, 2003). The information could then be available to the citizens on the agency’s web site after adoption of the new procedures (see appendix I for an example in the DOR annual report, 2003) (see appendix H for the Legislature’s agency performance measures).

In summary, the Florida Citizen’s Report alternative scores high on the feasibility, administrative cost, and availability of data criteria. Political support scores fair since there would have to be some necessary strategic changes made within the agency management’s way of thinking to accept and implement the new reporting format. This could be done successfully with a strategic plan including written goals and objectives to include the overall agency (Niven, 2002).

Option Three: Annual Agency Report

An annual report is a great tool of communication but is not currently being incorporated by most of the state agencies. It includes financial statements, management comments, and statistical results of the agency’s operations and net assets. The Department of Revenue leads the way in innovative performance measurement reporting by using their data as part of their report on their web site (www.dor.state.fl.us, 2003). Managing for results is part of their strategic initiative in pursuing excellence (see Appendix I for an example of DOR’s annual report).

Political Support: Again, there is a lack of support on behalf of elected officials and agency management to report below-target performance results to the public (Niven, 2002). The Legislature and Agency Management will have to incorporate a new vision within the public sector to improve on customer service and meeting the guidelines of GASB (see appendix B for a flowchart of the strategic plan).
Administrative cost: Currently, most of the agencies do not have procedures in place for using staff, equipment, and software to generate an annual report for their web site (www.MyFlorida.com, 2003). The Department of Revenue is the exception since the department has already incorporated the information in their annual report on their web site (www.dor.state.fl.us, 2003). Therefore, an increase in current funding would have to be allocated for staff to administer the new report along with allocated computer equipment and software programs to design the report on the other agencies web sites (see appendix F for a flowchart of the process).

Administrative feasibility: Procedures are not currently in place for most agencies to incorporate performance measures in an annual report on the web site. Evidence for this assertion was not finding an annual report with the information on the agency’s web sites (www.MyFlorida.com, 2003). The Department of Revenue is the exception and would be a source of expertise in advising the other agencies on how to include the data in their annual report and the procedures necessary to administer the new report (DOR, 2003) (see appendix F for a flowchart of the process).

Availability of data: The Legislature already mandates performance measures results in the appropriation process in the budget cycle annually (Florida Legislature, 2003) (see appendix H for an example of the Legislatures performance standards). The information can be made available to the citizens on the agency’s web site after adoption of the new procedures (see appendix I for an example of the DOR’s annual report for 2003).

In summary, this alternative ranks lower for feasibility and cost due to the fact the report does not already exist in their computer programs (www.MyFlorida.com, 2003). But the alternative ranks high for the availability of the data due to the fact the data is already provided to the Legislature in the budget appropriations process (Florida Legislature, 2003). Political support scores fair since there would have to be some necessary strategic changes made within the agency management’s way of thinking to accept and implement the new
reporting format. This could be done successfully with a strategic plan including written goals and objectives to include the overall agency (Niven, 2002).

**Option Four: Status Quo**

This alternative would not incorporate any new procedures for performance measurement reporting. The current budget cycle process would continue to analyze the performance measures standards internally as mandated by the Legislature (see appendix G for a flowchart of the current process). The external financial statements would not disclose performance measures results to the citizenry. Accountability would continue to be less of a priority (Niven, 2002). Noncompliance with GASB guidelines could negatively affect the credibility of the elected officials and executive management of the state agencies (GASB, 2003).

**Political Support**: The elected officials and agency management see no problem with the current process. Because there is a lack of support on behalf of elected officials and agency management to report below-target performance results to the public, the status quo will prohibit the information from being reported externally to the citizens and instead continue to be only a part of the internal reporting process in the budget cycle (Niven, 2002) (Florida Legislature, 2003).

**Administrative cost**: The current budget for each agency would not be impacted by a possible increase for additional funding for resources to implement the new reporting procedure (www.MyFlorida.com). But, the other alternatives have shown that there would be little or no additional funding necessary to incorporate an expanded report either through the Department of Financial Services or the agencies on their web sites (Department of Financial Services, 2003) (DOR, 2003).

**Administrative feasibility**: There would be no need for new administrative procedures to implement a new or expanded report. Current procedures for the CAFR, Florida Citizen’s
Report, and the annual report would remain intact even though feasibility for a new report is possible (DOR, 2003) (Department of Financial Services, 2003).

**Availability of data:** The performance measures would not be reported externally to the citizens even though the data is available through the Legislature and could be made available to the citizens on the agency web sites (Florida Legislature, 2003) (DOR, 2003) (Department of Financial Services, 2003).

In summary, the alternative for the Status Quo ranks fair overall for political support, feasibility, cost, and availability of data due to the fact the new information would continue to be reported internally and not be made available to the public on the agency web sites (www.MyFlorida.com). Current procedures and policy would remain intact even though the administrative feasibility to add a new step to incorporate the data in an existing report is possible (see appendix D, E, and F for a flowchart of the process). Administrative cost would stay constant even though current staff, equipment, and software are already in place for generation of the new or expanded report. Political support could be swayed with the necessary strategic changes made within the agency management’s way of thinking to accept and implement the new reporting format. Again, this could be done successfully with a strategic plan including written goals and objectives to include the overall agency (Niven, 2002).
V. CONCLUSIONS

The report presented four policy alternatives to implementing external reporting of performance measures in Florida’s financial statements. Each alternative was evaluated based on political support, administrative feasibility, administrative cost, and availability of data. Table 1 summarizes the results.

Table 1 - Summary of Alternatives and Evaluative Criteria

<table>
<thead>
<tr>
<th>Criteria Alternatives</th>
<th>Political Support</th>
<th>Admin Feasibility</th>
<th>Admin Cost</th>
<th>Available Data</th>
<th>SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAFR: (Dept of Financial Services)</td>
<td>3 Need strategic plan for management</td>
<td>5+ Policy and procedures for external reporting exist</td>
<td>5+ Staff, equipment, and software in place</td>
<td>5+ Data in the Legislature reports and would be on the agency web site for citizenry</td>
<td>18+ Best alternative</td>
</tr>
<tr>
<td>CITIZEN REPORT: (Dept of Financial Services)</td>
<td>3 Need strategic plan for management</td>
<td>4 Expand policy and procedures for external reporting</td>
<td>4 Need software Adjustments to format</td>
<td>5+ Data in the Legislature reports and would be on the agency web site for citizenry</td>
<td>16+</td>
</tr>
<tr>
<td>ANNUAL REPORT (Agency Report)</td>
<td>3 Need strategic plan for management</td>
<td>3 No policy and procedures for external reporting exist (DOR exception)</td>
<td>3 Need additional staff, equipment, and software</td>
<td>5+ Data in the Legislature reports and would be on the agency web site for citizenry</td>
<td>14+</td>
</tr>
<tr>
<td>STATUS QUO (Internal Legislative Budget report)</td>
<td>3 Need Strategic Plan for management</td>
<td>3 Policy and procedures in the budget process for internal reporting only</td>
<td>3 No staff, equipment, and software exist for external reports</td>
<td>3 Data would remain in the Legislature reports and not the citizenry</td>
<td>12+</td>
</tr>
</tbody>
</table>
Three of the four alternatives would implement a new policy and procedures that would provide external reporting of performance measures results in Florida’s financial statements or related financial documents. But only one alternative would support GASB’s recommendations for external reporting in the CAFR report. Accountability and credibility of the government as a whole would increase and move the state closer toward a vision of excellence (Niven, 2002). Florida has always been a leading state in the nation for innovation and this new policy would help to maintain that reputation. The fourth alternative is to remain at status quo.

The first alternative for the Comprehensive Annual Financial Report (CAFR) scores very high for administrative feasibility since current policy and procedures for an expanded report are already streamlined within the agency. The Bureau would simply expand current procedures to incorporate the approved performance measures standards and actual results reported to the Legislature in the budget process within the statistical section of the CAFR which is not subject to audit. Administrative cost scores very high since the reports are already in existence within the Department of Financial Services therefore staff, equipment, and software are already available and included in their operating budget. Availability of the data scores very high since the data is gathered and reported to the Legislature in the budget process already and the new report would allow performance results to be made available to the citizens on the agency’s web site. The state would be in compliance with GASB guidelines. The Bureau would be a step ahead of the game for when GASB publishes a standard requiring service efforts and accomplishments (performance measures) to be reported in the CAFR. Political support scores fair since this criterion depends on the focus of the Legislature and the ability of the Department of Financial Services to sell the new vision and strategic plan to agency management.

The second alternative for the Florida Citizen’s Report scores high for administrative feasibility due to the fact the operating procedures are already streamlined for the necessary
report. Administrative costs scores high since the reports are already in existence within the Department of Financial Services therefore staff, equipment, and software are already available and included in their operating budget. Availability of the data scores high since the data is gathered and reported to the Legislature in the budget process already and the new report would make the performance results available to the citizens on their web site. Political support scores fair since this criterion depends on the focus of the Legislature and the ability of the Department of Financial Services to sell the new vision and strategic plan to agency management.

The third alternative for the annual report scores fair for administrative feasibility due to the fact the procedures necessary to generate the report are not in place yet but could be implemented effectively with proper action plans and documented procedures from agency management. Administrative costs scores fair due to the fact the report is not on their web site therefore additional staff, equipment, and software would be needed to design and generate the necessary report. The Department of Revenue is the exception since their annual report is on already on their web site and includes performance results. Availability of the data scores very high since the data is gathered and reported to the Legislature in the budget process currently and the new report would be made available to the citizens on their web sites. Political support scores fair since this criterion depends on the focus of the Legislature and the ability of the Department of Financial Services to sell the new vision and strategic plan to agency management.

The fourth alternative for status quo scores fair on administrative feasibility since current policy and procedures only include performance results in the budget process for internal reporting purposes but it has been shown that the report is feasible to generate in the agencies. Administrative costs scores fair since there are resources available within some of the agencies in the form of staff, equipment, and software available to generate the report and would not necessarily increase costs. Availability of the data scores fair due to the fact the
information is available in the Legislature for internal reporting purposes but the information is not available for external reporting to the citizens. Political support scores fair since this criterion depends on the focus of the Legislature and the ability of the Department of Financial Services to sell the new vision and strategic plan to agency management.

Assessment of the alternatives using the four evaluative criteria indicates that the CAFR would be the most viable policy to implement performance measures results in a report available to the citizens on the agency’s web site. Therefore, the CAFR alternative is recommended. The Department of Financial Services is ultimately responsible under the Constitution of Florida to implement accounting policies and procedures that uphold its mission to provide fiscal support to the citizens and other state agencies. The other policy options needed expanded or new policy and procedures and additional resources to generate the report. Public support would improve with a strategic plan to sell the new vision to agency management and the Legislature.
REFERENCES:


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VI. APPENDICES

Appendix A: GASB Report: 16 suggested criteria for performance measures reporting

Appendix B: Flowchart: Public Sector Strategic Plan for Reporting Results

Appendix C: GASB Survey Report with results for reporting performance measures

Appendix D: Implementation flowchart: Department of Financial Services CAFR

Appendix E: Implementation flowchart: Department of Financial Services Citizen’s Report

Appendix F: Implementation flowchart: Agency Annual Report

Appendix G: Implementation flowchart: Status Quo

Appendix H: Example of Legislature Performance Measures Standards by Agency: Department of Education

Appendix I: Department of Revenue Annual Report: Performance Measures Results
ABOUT THE AUTHOR

Sharon Paulett (BBA, Accounting, Augusta State University; MPA, Budget and Finance, Florida State University) has worked in the government, non-profit, consultant, and private sectors for the past thirteen years professionally. Ms. Paulett is interested in accounting and auditing policy, program evaluation, and budget analysis. She is currently a Master Tax Advisor with H&R Block Company in Tallahassee, Florida.