

**SEACOA – IS THERE POTENTIAL FOR EXCELLENCE? AN
INVESTIGATION OF PERFORMANCE REPORTING FROM STATE
DEPARTMENTS OF CORRECTIONS**

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--- WORKING DRAFT ---

Abstract

Most state legislatures now oblige agencies and boards to prepare performance budgets (Melkers and Willoughby, 1998; Jordan and Hackbart, 1999). Enthusiastic support for using performance measures is widespread, however it appears that the enthusiasm for performance measurement has not resulted substantial action (Coplin, Merget and Bourdeaux, 2002; Frank and D'Souza 2004; Smith 2004). Researchers who have studied the implementation of performance measurement have tended to use one of two methodologies: opinion surveys and case studies. Neither of these methodologies is suited to explaining consequentialist relationships, especially where there are gaps between what people say and what they do. For testing hypotheses comparative analytics are required, ideally in the form of a controlled experiment, quasi-experiment, or econometric analysis. We performed a preliminary analysis of the performance measurement and reporting practices of a cross-section of corrections departments (DOC) from ten states using the Service Efforts and Accomplishments Certificate of Achievement (SEACOA) criteria established to encourage excellence in performance reporting by governmental agencies. Following procedures outlined in Smith (2004), we collected data from public documents posted on the Internet. We find that considerable variation exists among states and categories. Our analysis established a baseline level of performance reporting for state DOCs and validated the SEACOA measurement instrument. We conclude that performance measurement reporting for state departments of corrections can greatly benefit from adopting the SEACOA criteria.

Introduction

Measuring performance has become increasingly popular in the public sector where many agencies include a variety of measures in their reporting process. According to theory, performance measurement will motivate managers to pursue an organization's objectives *if* the measures used are properly implemented as part of the management control system. Elected officials, public employees, journalists and academics have all expressed enthusiastic support for using performance measures to enhance accountability and promote service improvement. Yet there is little evidence of the improvements resulting from the use of these measures (Coplin, Merget and Bourdeaux, 2002; Frank and D'Souza 2004; Smith 2004).

Methodology limitations may partly explain the lack of evidence on the effect of the use of performance measurements. Researchers who have studied the implementation of performance measurement have tended to use one of two methodologies: opinion surveys and case studies. Neither of these methodologies is suited to explaining consequentialist relationships, especially where there are gaps between what people say and what they do. Survey research by definition involves self-reporting and people have a known propensity to minimize discrepancies between their beliefs and their actions. Case research is useful for illustrating consequentialist relationships and suggesting hypotheses about those relationships, but it cannot test them. For that comparative analytics are required, ideally in the form of a controlled experiment, quasi-experiment, or econometric analysis.

We propose to analyze the performance measurement and reporting practices of a cross-section of corrections departments (DOC) from all 50 states. We chose corrections

departments for two reasons. First, every state has prisons and their mandate (incapacitation, humane punishment, and rehabilitation) varies relatively little from state to state. Second prisons represent an increasingly significant financial and social burden for most states. For this analysis we apply criteria provided by the Service Efforts and Accomplishments Certificate of Achievement (SEACOA) to data collected from the web sites of state departments of corrections. Specifically, we address the following research questions:

1. What methodology can be used to apply the SEACOA criteria to multiple agencies?
2. What are the potential benefits of this application?
3. Are state prisons currently meeting the criteria and are the results comparable among states?

The results of our preliminary analysis of ten states show that the SEACOA criteria can be applied to performance reporting of state prisons. Moreover, the use of the criteria facilitates comparisons among the states. Although none of the state departments of corrections meet the SEACOA criteria completely, the reporting that exists suggests that states could reasonably attain the certificate. Research suggests that attaining the certificate of achievement could greatly benefit the reporting organization.

Background

Much of the accounting research on performance measurement uses principal agent theory and focuses on the effects of performance measurement in the private sector. Propper and Wilson (2005) note certain distinctive characteristics of the public sector that make the performance measurement process more complex. While private industry is mostly concerned with garnering a profit for owners, public agencies must often be concerned with various objectives of multiple masters (politicians, taxpayers, legislators, and different levels of government). Instead of focusing on a summary goal like profit, public agencies must direct their attention toward several sometimes competing goals such as achieving efficiency and equity in the delivery of public service while simultaneously ensuring adequate resources to meet the future and current needs of the agency.

In addition to the complexity of operating in a multi-principal multi-task environment, the achievement of objectives in the public sector is inherently more difficult to measure because of noise in outcome measurements. For example, it could be challenging to establish a cause and effect relationship between a program aimed at lowering crime and a subsequent decrease in measures of crime if important characteristics of the subject population changed during the time that the program was implemented. Moreover, how could results of one program be comparable to results of other programs when agencies operate in extremely diverse situations?

According to accounting theory and research, performance measurements must be properly implemented to be effective. Proper implementation includes aligning measures with the goals of the organization and incorporating measurement results as part of the

reward system. This *contingent* value of performance measures is supported by recent evidence. From a field study of governmental entities that had implemented performance reporting systems, Cunningham and Harris (2005) conclude that the efficacy of performance reporting depends upon communication within the system, broad involvement in the process, and integration of performance reporting into agency management.

Recognizing the uniqueness of performance reporting in the nonprofit sector, the FASB (1980), the NCGA (1982) and the GASB (1984,1987) all called for governmental agencies to report on service efforts and requirements (SEA). The publication of SEA reports greatly increased when in April 2003, the GASB released *Reporting Performance Information: Suggested Criteria for Effective Communication*. This book, also called the green book, set forth criteria and practices to guide the preparation of SEA reports. In 2004, the Association of Government Accountants (AGA) established the Service Efforts and Accomplishments Certificate of Achievement (SEACOA) based upon the GASB criteria described in the green book. The purpose of the SEACOA is to stimulate excellence in performance measurement and accountability reporting by government agencies. In October 2004, the AGA released review guidelines for the SEACOA program, which is presently in the implementation phase (SEA Review Guidelines, 2004).

Research related to performance measurement provides insight into how distinctive characteristics of governmental agencies affect the reporting process. Harris (1995) examines responses to GASB's concept statement No. 2 on SEA reporting and concludes that it is different from financial reporting and thus requires a different

standard setting process. Smith (2004) agrees with Harris's conclusion and suggests that the SEA standard setting process would be some sort of comparable data method. Smith and Cheng (2004) looked at several theories to assess various financial reforms. They propose that while signaling theory is the most advanced, it cannot be used effectively until there are a reasonable number of successful adopters. Smith and Schiffel (2005) discuss the intersection of accounting and performance measurement. They show that there are perhaps ten different accounting specialties and that there are at least five different performance measurement specialties. These analyses suggest that the complex environment in which governmental agencies operate has resulted in a lack of the accounting discipline. That is, traditional accounting functions may have received less attention than they would have in the private industry.

Despite challenges, performance measures are widely used in the public sector. Many agencies use performance measures in efforts to adopt management innovations such as performance budgeting, balanced scorecard, enterprise planning, process improvement and managing for results (Kreklow and Ruggini, 2005; Melkers and Willoughby, 1998; Jordan and Hackbart, 1999). Part of the underlying motivation for the use of performance measures is to achieve optimal tradeoffs and realize more efficient and more effective spending (Willoughby 2005). More recently, the focus on the use of performance measures has shifted toward how to define, measure and compare program results.

In this study, we apply the SEACOA criteria to performance reporting of state correctional facilities. Since prisons exist in every state in the nation, state prison performance measurement and reporting provides an excellent basis upon which to test

the criteria. Incarceration is a critical fiscal and social problem. While overall crime rates have decreased, tougher sentencing laws enacted by legislators have caused an increase in the prison population. Presently the United States imprisons more of its citizens than any country in the world. The number of people in US prisons has risen continuously from 503,000 in 1980 to over a million in 1990, and to over two million by 2002. Last year the prison population climbed to 2,267,787. Inmates include people servicing life sentences because of crimes committed when they were minors. Minorities are disproportionately represented with one out of every ten black males between the ages of 21 and 25 imprisoned. Recently the greatest increases in the inmate population have been among women and immigrants. The increase in the female population is the result of harsher drug sentencing while most immigrant crimes are related to unlawful entry.

The burgeoning prison population has resulted in a strain on fiscal resources. The cost of corrections in the United States rose from \$53 billion during 2000 to \$57 billion during 2001. State governments bear a greater proportion of the cost. In 2001, state governments paid \$59 billion for justice programs, significantly more than federal (\$25 billion), county (\$40 billion), or municipal (\$43 billion) governments. Budget cuts have increased fiscal pressures and the public has shown an unwillingness to increase funding of prisons. An interesting dilemma is that most citizens are unaware crimes rates have decreased, and in fact believe that crime is on the increase. They do not understand why more and more resources are spent on crime prevention while crime continues to rise. Thus performance measurement and reporting has much potential to provide useful insight into this important social and fiscal dilemma.

Methodology

Sample. Our sample population consists of the state departments of corrections for all 50 states in the United States. For this preliminary investigation we selected ten states. Based upon our knowledge of the reputation of the states' prisons, we attempted to encompass variation in our selection. Some of the states we included have reputations for modern approaches to corrections, while others are known for traditional treatment of prisoners. The states included in our analysis are: California, Florida, Hawaii, Louisiana, Michigan, Nevada, New Jersey, Oklahoma, Oregon, and Wisconsin.

Data. The communication process is an important part of the performance measurement system. The internet is widely used by the public to acquire information on topics important to them. Consistent with this notion, we used the data reported on the correction departments' websites. We presume that this is the approach that would be taken by a typical stakeholder. The process of finding, collecting and measuring and evaluating data from the state department of corrections web sites was both tedious and time consuming. Table I summarizes the type of performance reporting available on the websites. Most agencies reported victim service unit information on their websites. Also common was statistical information on offenders. Since it is unlikely that typical stakeholders will integrate information from multiple reports, we limited our investigation of performance reporting to the single most comprehensive report available on the websites. In most cases, this was the annual report.

Variables. The SEACOA review guidelines include 17 criteria on which to evaluate an agency's performance reporting system (see Table II). The review guidelines

include a detailed description of the criteria and a rubric for assigning points. An agency can receive from zero to three points on a criterion for a total of 51 available points. Each criterion represents a single characteristic of the performance report and is a variable in our study.

Measurement. Four researchers were involved in the measurement process. Each researcher studied the SEACOA documentation and review guidelines. Three websites were initially selected to calibrate the measurement process. Each of the four researchers examined the performance measures on the initial websites and applied the rubric. The researchers then compared their results. Differences in interpretation and application of the review guidelines were discussed and the researchers agreed upon a consistent approach to the measurement process. The remaining websites were independently examined and assessed by at least two researchers. The independent assessments between the researchers were almost identical. Minor differences were discussed and resolved.

Results

The results of SEACOA criteria scoring on the ten states in our preliminary sample are presented in Table 3. Overall, there is significant variation among the states, but every state in the sample received points. The average score in the sample was 11.80, less than one-fourth of the total available points. The lowest score in the sample is for Wisconsin where a total of only three points was received. The state that received the highest score was Oklahoma at a total of 22 points. The difference in the level of performance reporting between the lowest scoring and highest scoring state is significant

in absolute terms. The Wisconsin department of corrections barely provides any information on its performance measurement process, while the Oklahoma provides information in nearly all categories.

Generally scores by category were low, with averages ranging from 0.20 to 1.50. Although this average is low, it should be noted that points were received in every category except reliable information because DOCs tended not to document reliability in their performance reporting. The category receiving the highest score was criterion #12, factors affecting results. This category was high because states that reported performance measures tended to explain major factors that affected their results in the annual report. Every state in the sample except Wisconsin received a score in this category. The criterion receiving the least amount of points was #14 consistency with a mean of only 0.10. Ironically only one state in the sample, Wisconsin, received a point for this category. As previously noted, the state of Wisconsin provided very little information on its prison performance reporting. However it was consistent from year to year with the information that it did provide. Other states in the sample tended to modify their reporting from year to year without providing explanations for the changes.

Conclusion

This study demonstrates a method of applying the SEACOA criteria to multiple state agencies. The internet provides a modern and useful method of communicating information to stakeholders. Using data provided by websites of state corrections departments we were able to assess the level of performance reporting that is presently available to stakeholders. The approach holds much potential for future applications.

We note four primary benefits of using this method. First, we are able to evaluate reporting from the perspective of a stakeholder who is likely to use the internet to seek out information on a governmental agency. Second, the SEACOA rubric enabled us to compare, analyze and summarize results among states and within categories. Third, our analyses documents a baseline level of performance reporting among state departments of corrections. Finally, this study validates the SEACOA rubric as an important measurement tool. Using this tool demonstrates how much performance measurement reporting can benefit from adopting an accounting perspective that facilitates comparable measures of disparate organizations with reliable, routine reporting. Our future analysis will expand this investigation to all US state departments of corrections, and explore additional potential benefits from the SEACOA.

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Table I

Performance Measures on U.S. State Corrections Websites

Data collected September 2004

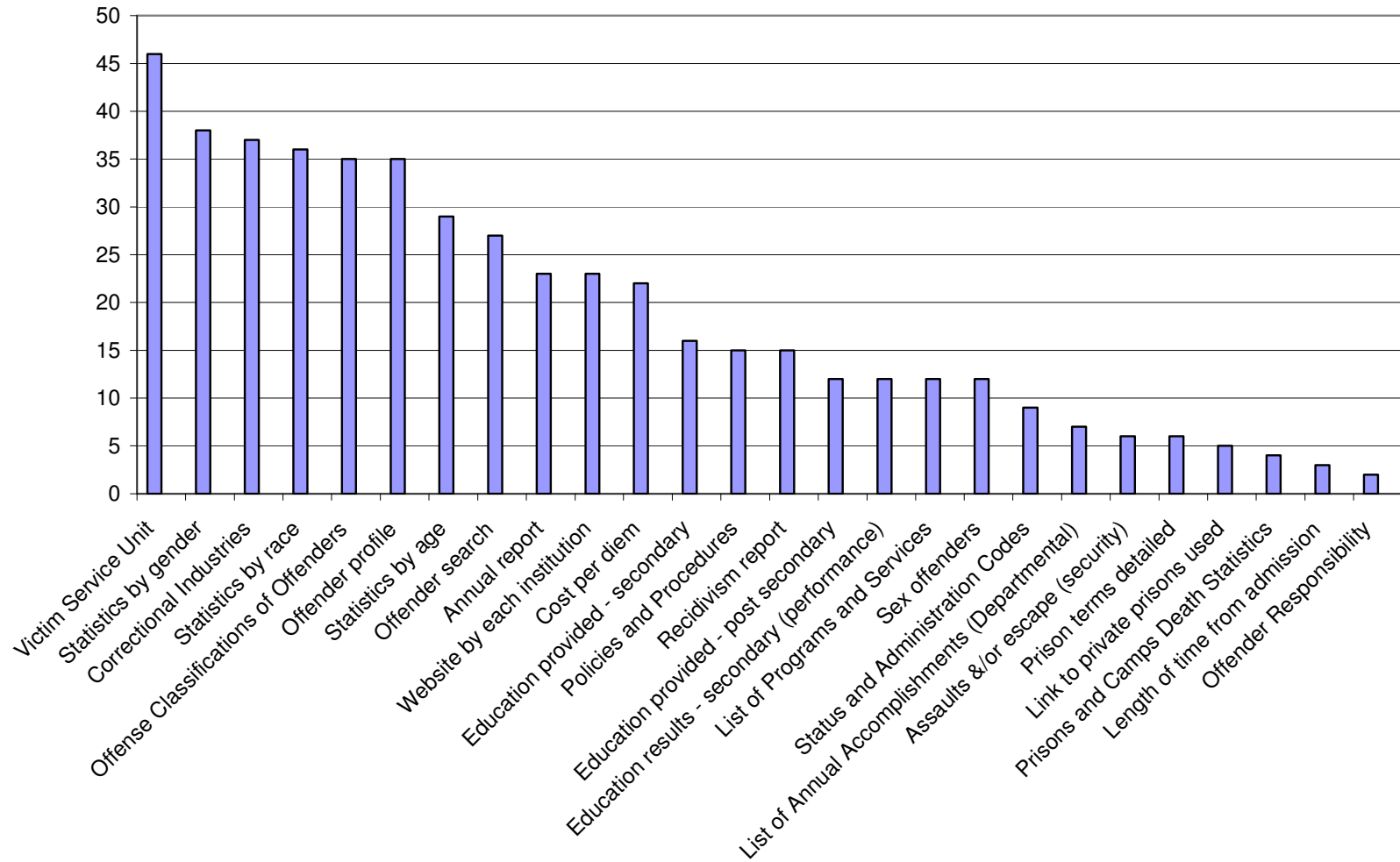


Table 2
SEACOA Criteria

Criterion No.	Title	Description
1	Purpose and Scope	The purpose and scope of the report should be stated clearly. The statement of the scope should include information about the completeness of the report in the coverage of key, major, or critical programs and services.
2	Statement of Major Goals and Objectives	The report should clearly state the major goals and objectives of the organization and the source for these goals and objectives.
3	Involvement in Establishing Goals and Objectives	The report should include a discussion of the involvement of citizens, elected officials, management, and employees in the process of establishing goals and objectives for the organization.
4	Multiple Levels of Reporting	Performance information should be presented at different levels (layers) of reporting. The relationship between levels of available performance information should be clearly communicated and should include how the user can find information at the different levels reported.
5	Analysis of Results and Challenges	The report should include an executive or management analysis that objectively discusses the major results for the reporting period as well as the identified challenges facing the organization in achieving its mission, goals, and objectives.
6	Focus on Key Measures	The report should focus on key measures of performance that provide a basis for assessing the results for key, major, or critical programs and services; and major goals and objectives of the organization. Therefore, an external performance report should be concise, yet comprehensive in its coverage of performance.
7	Reliable information	The report should contain information that readers can use to assess the reliability of reported performance information.
8	Relevant Measures of Results	Reported performance measures should be relevant to what the organization has agreed to try to accomplish and where possible should be linked to its mission, goals, and objectives as set forth in a strategic plan, budget or other source.
9	Resources Used and Efficiency	Reported performance information should include information about resources used or costs of services. It also could report performance information related costs to outputs or outcome (efficiency measures).

Table 2
SEACOA Criteria
(Continued)

Criterion No.	Title	Description
10	Citizen and Customer Perceptions	Citizen and customer perceptions of the quality and results of major and critical programs and services should be reported when appropriate.
11	Comparisons for Assessing Performance	Reported performance information should include comparative information for assessing performance such as to other periods, established targets, or other internal and external sources.
12	Factors Affecting Results	The report should include a discussion of identified external and internal factors that have had a significant effect on performance and will help provide a context for understanding the organization's performance.
13	Aggregation and Disaggregation of Information	Reported performance information should be aggregated or disaggregated based on the needs and interests of the intended users.
14	Consistency	Reported performance measures should be consistent from period to period; however, if performance measures or the measurement methodology used is significantly changed, that change and the reasons for the change should be noted.
15A	Easy to Find and Access	The availability of an external report on performance and how to obtain that report should be widely communicated through channels appropriate for the organization and intended users.
15B	Easy to Understand	Performance information should be communicated through a variety of mediums and methods suitable to the intended user.
16	Regular and Timely Reporting	Performance information should be reported on a regular and timely basis (usually annually), The reported information should be made available as soon after the end of the reporting period as possible.

Table 3
Results of Applying SEACOA Rubric to Performance Measure Reporting on State Prison Websites (n=10)

	SEACOA Criterion	Available Points	California 2005	Florida 2002-2003	Hawaii 2003	Louisiana 2003	Michigan 2003	Nevada 2002	New Jersey 2002	Oklahoma 2001	Oregon 2004	Wisconsin 2002	Mean
1	Purpose and scope	3	1	1	0	0	0	0	1	1	1	0	0.50
2	Statement of major goals	3	2	2	2	2	1	1	0	2	1	0	1.30
3	Involvement in establishing goals	3	3	0	0	0	0	0	1	0	1	0	0.50
4	Multiple levels of reporting	3	1	2	1	1	1	1	1	2	1	0	1.10
5	Analysis of results	3	1	1	1	0	0	1	0	2	0	0	0.60
6	Focus on key measures	3	0	1	0	1	0	1	0	2	1	0	0.60
7	Reliable information	3	0	0	0	0	0	0	0	0	0	0	0.00
8	Relevant measures of results	3	0	2	1	2	0	0	0	2	1	0	0.80
9	Resources used and efficiency	3	0	2	1	0	0	0	0	1	0	0	0.40
10	Citizen and customer perceptions	3	2	0	0	0	0	0	0	0	0	0	0.20
11	Comparisons for assessing results	3	0	1	0	0	0	0	0	1	1	1	0.40
12	Factors affecting results	3	2	2	1	2	1	3	1	2	1	0	1.50
13	Aggregation and disaggregation	3	1	2	1	0	0	0	1	2	1	0	0.80
14	Consistency	3	0	0	0	0	0	0	0	0	0	1	0.10
15A	Easy to find	3	1	1	2	1	1	1	1	1	1	1	1.10
15B	Easy to understand	3	0	3	1	0	2	1	1	3	1	0	1.20
16	Regular and timely reporting	3	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>0</u>	<u>0.70</u>
	Totals	<u>51</u>	<u>14</u>	<u>21</u>	<u>12</u>	<u>9</u>	<u>7</u>	<u>9</u>	<u>8</u>	<u>22</u>	<u>13</u>	<u>3</u>	<u>11.80</u>

