

Making our government more accountable

The legitimate object of government is to do for a community of people whatever they need to have done, but cannot do at all, or cannot so well do, for themselves – in their separate and individual capacities. In all that the people can individually do as well for themselves, government ought not to interfere.

Abraham Lincoln.

The only legitimate reason for government to exist is to serve the needs of its citizenry. Is our government serving our needs? A look at some recent local elections indicates that, apparently, people either do not trust their government when it asks for more resources, or they are thoroughly confused about financing issues.

A few years ago the Woodland Joint Unified School District sought approval from the voters to issue bonds to finance much-needed school construction. This initiative failed twice before being finally approved in 1999. In the nearby City of Davis, just recently, officials attempted to raise additional tax revenues to defray the cost of park services. The citizens voted down the tax measure and City staff had to scramble to balance the budget. At the County of Yolo, officials were seeking voters' approval to raise hotel taxes to supplement the dwindling County operating funds. The voters rejected the measure.

In all cases, the electorate did not grant the governmental staff's requests although these staff are financial experts who are well qualified to make recommendations on the acquisition and use of public resources. Why couldn't staff convince the electorate of the needs for additional resources? There seems to be a disconnection between the governments and the people they serve.

In the following I will attempt to rationalize this discrepancy and propose a solution for reconciliation.

In a democratic society, which services are to be provided by the government and how resources are raised to finance them are decisions that are made collectively by the government and its citizenry through the budgetary process, voter referendums or other public processes.

This arrangement is effective only when a cornerstone of democracy is present: the citizenry communicates its needs to the government and is informed of the results of government work. This is the essence of accountability in government.

In its simplest terms, accountability can be represented by this equation: the wishes of the people equal what the government did. Accountability issues surface when the equation is not balanced.

Let's examine the left side of the equation: the wishes of the people. Our democratic system provides a variety of ways through which people can express their wishes. People can voice their wishes directly to their government by participating in citizen commissions. The cities and the county have a host of commissions comprised of citizens. People can also make themselves heard through electing officials who represent their interests and by voting on specific issues on the ballots. There seems to be an abundance of means for people to communicate their wishes to the government.

Let's look at the right side of the equation: what the government did. How do the citizens learn of the work done by their government? What are the mechanisms through which the government informs its citizenry of what it did with the resources entrusted to it and of the resulting benefits to the citizens? Beside the traditional annual financial reports most governments currently have no other formal mechanisms to report back to their citizenry.

The typical government annual financial report contains a vast array of information on the financial condition and financial results of the government. It contains in fact a bevy of financial information that would satisfy most financial experts but that the average citizen can hardly relate to.

The average citizens will not find on these financial statements information about the additional services that they enjoyed as a result of park taxes that their city government raised and collected in the past five years. Seeing no benefits in the past they will naturally be reluctant to approve any increase in such taxes in the future.

Similarly, the average citizens will not find any information on the effect of local government expenditures on students' grade. Seeing no indication of benefit in the past, the citizens are unlikely to approve more resources for future school construction.

Thus there is clearly a structural imbalance in the accountability equation. There is an elaborate infrastructure that helps people to articulate their demand for public good. However, lacking is an effective reporting system that allows the government to tell its citizenry how it fulfilled public needs with public resources.

To remedy this imbalance, I suggest a two-pronged approach to strengthen the right side of the equation: the government should make more useful reports to the public and should provide assurance that it can deliver services in a cost-effective manner.

First, governments should render useful reports to the public on the stewardship of public resources. Useful means timely, relevant and understandable. Timely means that the information should be available when needed for decision making. Perhaps government can issue semi-annual financial statements available two months after the end of the period. These interim financial statements are almost standard practice in the corporate world.

The County of Yolo is exploring this practice.

Relevant information means that the information contained in the report addresses the needs of the users. The average citizen wants to know what public goods were produced from his tax monies. Was there a reduction in crime? Are parks greener and cleaner? Did students' grade improve in public schools? Is the government more efficient compared to last year? Government reports should contain answers to these questions.

The government does not have to rely solely on written reports to point out to the public what it did with tax dollars. For example, it can put up signage pointing at public projects such as new school facilities or park project that was accomplished with funds raised publicly.

The Government Accounting Standards Board has spearheaded effort to improve government reports by re-formatting the traditional government financial statements to enhance its usefulness (GASB Statement No. 34). This Board is also working on a continuing project to require government to report on service effort and accomplishments.

The County of Yolo is preparing to implement the new financial report model mandated by GASB Statement 34.

Understandable information is information that can be readily understood by the average citizen. Government financial reports are not designed for widespread public consumption, even with the improved model mentioned above. A report that contains only essential and condensed information and that is written in lay language is needed. The Government Finance Officers Association of the U.S. and Canada has been promulgating such a popular report model for several years.

The County of Yolo intends to publish this type of report in the near future.

Beside useful reports, the second factor that will strengthen accountability is assurance to the public that the government has the necessary control in place to properly manage public resources. This is based on the same principle of requiring that a child has learned basic money management skills before the parents would grant her a substantial allowance. I am in effect suggesting that we add a third element in the accountability equation. That is, accountability exists when the wishes of the people equal what the government did plus assurance that the government will deliver in the future.

Assurance that the government will deliver can be provided by the governing board or council requiring that all public agencies report publicly on the strength of their internal control. Internal control constitutes all the policies and practices put in place by management to help the organization accomplish its goals efficiently. The concept of internal control goes beyond the financial arena and encompasses operational effectiveness and efficiency.

The federal government has long required that federal agencies undergo periodic internal control assessment and make a public report on the results. This practice is slowly trickling down to state and local governments.

It is not too preposterous to suggest that the governing board or council requires departments to submit evidence of satisfactory internal control as part of their budget requests. Such evidence can be in the form of a self-assessment that has been validated by auditors.

The County of Yolo is taking a small step in this direction but has a long way to go.

In conclusion, local experience shows that there are weaknesses in our democratic processes that allocate public resources. These weaknesses threaten the core of accountability and erode the public trust in government. They can be remedied by improving the usefulness of government reports and disclosures to the public. Improvements include disclosing information on performance and on internal control, presented in simple reports to the lay population. These concepts and practices are not new. Now is perhaps the time to apply them locally.

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