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Date: 6/6/2014 2:39:36 PM  
Subject: FW: SIG Alert #6: The Value of Annual Accountability Reports

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FYI – forwarding below email for your situational awareness. SIG sends its “SIG Alerts” to all Executive Branch agency heads.

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From: Maley, Patrick  
Sent: Friday, June 06, 2014 12:51 PM  
To  
Subject: SIG Alert #6: The Value of Annual Accountability Reports

#### Agency Heads & POCs:

The State Inspector General (SIG) began operations in August 2012 under State statute as an independent agency to conduct unbiased fraud, waste, and abuse investigations in the operations of the Executive Branch. A legislative mandate in the SIG’s mission is to pass along “lessons learned” from our investigations and management reviews to all state agencies to stimulate Agency Heads to reflect on how their respective agencies may handle similar issues, which at a minimum is a soft quality control and at its best, inspires positive change. The following is the SIG’s sixth “Lessons Learned Alert.”

#### SIG Lessons Learned Alert No. 6: The Value of Annual Accountability Reports

I promised to keep these “alerts” brief because I know how busy Agency Heads are, so I will be direct—the Annual Accountability Report (AAR) process has questionable value. The SIG’s inquiry with legislative and executive branch leaders and front line budget analysts over the past year paints a picture the AAR has low utility. It is likely considered more a perfunctory exercise or marketing tool than a valuable organizational performance management tool providing rigorous data to discern performance and to drive, if needed, course corrections. The SIG has looked at two agencies’ AAR in some depth, and both did not reflect reality in providing balanced, accurate data demonstrating accountability for taxpayer value through comparing results to established, as well as worthy, strategic objectives. I don’t blame the agencies—I blame the process.

The most important role of an Agency Head, as well as Commissioners/Boards/Trustees, is establishing what I call an agency’s “core strategic plan” (**CSP**) consisting of specific strategic objectives; tactical action plans; workflows through policy, procedures, processes, and initiatives to execute; expected metrics for results; and periodic monitoring of results’ alignment with the strategic objectives to see if an agency is “winning or losing.” This linear **CSP** planning/execution model is always more complex and challenging to develop than textbooks describe, particularly in a governmental environment lacking the private sector’s single metric of success—profit or loss.

Actually the AAR, using the Malcolm Baldrige National Quality Award Standards, contains this **CSP** planning/execution model. The problem is this useful data is buried in a myriad of narrative, with substantial redundancy, describing “relevant other factors” (**ROF**) to bring to bear in developing a **CSP**. These **ROF** are critical, particularly to educate the new Agency Head or Commissions/Boards/Trustees, to integrate into the **CSP**, such as leadership communications, customer focus, workforce considerations, and organizational strengths/weaknesses. However, the **ROF** has grown into lengthy boilerplate language, often Xeroxed verbatim from one year to the next, and creates the environment of “more is better” in the AAR, which undermines the real benefit of a strategic plan—clarity in the strategic objectives; specificity in tactical plans; agreed upon work processes; and expected measurables so Agency Heads, Commissions/Boards/Trustees, and taxpayers can see if

the agency is “winning or losing.”

From my analytical review of AARs, there is a tendency to set out lofty, altruistic, and difficult to measurable strategic objectives, and then set forth results as a laundry list of activities during the year, which don't really answer the core question—can we measurably assess progress against the agency's strategic objectives? In the SIG's short two years of operations, we have seen the pattern where Commissions/Boards/Trustees can get more caught up in ad hoc agency or day-to-day issues, and less on their primary duty to ensure a **CSP** is established with a corresponding monitoring mechanism. This monitoring of the **CSP** provides performance management reports to facilitate fiduciaries meeting their responsibility for comprehensive agency oversight.

I am not advocating being non-responsive to the annual AAR. I am advocating two items:

- Focus honing the clearest and simplest **CSP** from strategic objectives down through expected measurable results. This is what managers and front line employees need to see, as well as be able to digest, in neon letters—what is the target; how do we close on the target; and how do we keep score? The management adage, ‘what gets measured, gets managed’ is the cornerstone to successful planning/execution. This is caveated by the reality that successful implementation of the best measurements still requires skillful leadership in communicating the measurements' benefits to win the hearts and minds of employees, as well as prevent overemphasis on quantity of numbers at the expense of quality which could actually be counter-productive.
- Much of the AAR is documentation devoted to **ROF** supporting the **CSP**, which tends not to be dynamically changed from year to year, but still requires pause with critical thinking to assess the current reality prior to being rolled forward into the upcoming year's AAR. I am not discounting these **ROF**, but these factors need to be put into context and not overshadow and dwarf the agency's **CSP** which brings specificity to planning and expected results. This **CSP** specificity gives employees a blue print for action and describes what success looks like. In my experience, when employees know with specificity what is expected of them, they will generally hit the mark. Ambiguity, muddled messages, and phonebook size guidance documents lacking clarity are enemies to an organization's efficiency and effectiveness.

I am sorry I got on my soap box, but it pains me to see both AAR consumer and preparer dissatisfaction with a well-intended AAR process. It could be so much more effective if we focused on the clarity of the **CSP** while being conscious of the **ROF**, yet limit the required lengthy narrative zapping the morale of preparers and overall usefulness of the AAR process.