

Accountability, Transparency and Fake News

2019 GFOAA 35th ANNUAL CONFERENCE & TRAINING PROGRAM

FEBRUARY 5, 2019

Why are we talking about this today?

- Buzz words?
- Have you heard them used before?
- What is the significance of each of them?
- How do they fit into our work environment today?
- And, most importantly, what do we know about this?

Are we Accountants or “Accountability Professionals”?

- I’m an Accountant
- Have a degree in Accounting from the University of Alabama
- What are you?
- Can we be both...are we both?
- Why is it important to know the difference and the likeness?

Accounting...Back to Basics

- Accounting
- Financial Reporting

Accounting

- The process of assembling, analyzing, classifying and recording data relevant to transactions and events affecting a government's finances
- Affects the following:
 - Budget
 - Payroll
 - Expense
 - Revenue
 - Assets
 - Liabilities
 - Fund balance
 - And others...

Automated Accounting Systems Should...

- Keep systematic records
- Supply financial data & Information
- Maintain control over budgets
- Be auditable
- Provide for reporting
- Allow for decision making

Financial Reporting

- The process of aggregating and summarizing detailed information into a “useable” form for decision making by those who need it.
- Can be:
 - Internal
 - External
 - General purpose

Characteristics of Information in Financial Reporting

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

Financial statement users

- Taxpayers
- Citizens
- Creditors
- Legislative bodies
- Grantors
- Management
- Rating agencies such as Moody's and Fitch

So, Accounting vs Accountability....

- As accountants what are our obligations?
- What do we need to be aware of?
- And, how do we insure we are meeting expectations?

Definition of Accountability

- Accountability is the state of being accountable, liable, or answerable.
- In other words the person who is accountable is the recipient of the consequences of an action.
- A party doesn't need to be directly responsible for the action and consequences to be held accountable, responsible, in this case, meaning the cause of.

Accountability vs. Responsibility

- The responsible party is the direct cause of the incident, while the accountable party can receive the repercussions of the consequences.
- There are several situations where the party at fault, or responsible, may not be held accountable; instead the leadership, management, equipment manufacturer (in cases of malfunctions) may be held legally accountable.

Government's Accountability

- **Fiscal Accountability:** to justify that its actions comply with public decisions about obtaining and expending public resources in current year.
- **Operational Accountability:** to report how efficiently and effectively it achieves its objectives using available resources.
- **Interperiod equity:** Whether financial resources are sufficient for the services rendered in each period.

The Concept of Public Accountability

Accountability is one of those golden concepts that no one can be against. It is increasingly used in political discourse and policy documents because it conveys an image of transparency and trustworthiness.

However, its evocative powers make it also a very elusive concept because it can mean many different things to different people,

From Accounting to Accountability

- Historically and semantically, it is closely related to accounting in the sense of bookkeeping.
- Public accountability pertains to the obligations of persons entrusted with public resources to be answerable for those fiscal, managerial and program responsibilities and to report to those that conferred the responsibility.
- Based on:
 - political competition, fair distribution of power and informed citizens.
 - A legal system with the capability to enforce laws and make sure that those in power obey the laws.
 - Social responsibility to the welfare and interest of society.
- The challenge is the inability or unwillingness of society to call out the powerful and prominent

Are we Accountants or Accountability Professionals?

Do we know the difference?

Government Accountability Office (GAO)

- The **Government Accountability Office (GAO)** is a [legislative branch](#) government agency that provides [auditing](#), [evaluation](#), and investigative services for the [United States Congress](#).^[2] It is the [supreme audit institution](#) of the [federal government of the United States](#).
- **Powers of GAO**
 - Work of GAO is done at the request of congressional committees or subcommittees or is mandated by public laws or committee reports. It also undertakes research under the authority of the Comptroller General. It supports congressional oversight by:
 - auditing agency operations to determine whether federal funds are being spent efficiently and effectively;
 - investigating allegations of illegal and improper activities;
 - reporting on how well government programs and policies are meeting their objectives;
 - performing policy analyses and outlining options for congressional consideration;
 - issuing legal decisions and opinions;
 - advising Congress and the heads of executive agencies about ways to make government more efficient and effective.

Government Accountability Office (GAO)

- The GAO was established as the **General Accounting Office** by the [Budget and Accounting Act](#) of 1921. The act required the head of the GAO to
- "investigate, at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds, and shall make to the President ... and to Congress ... reports [and] recommendations looking to greater economy or efficiency in public expenditures".^[3]
- According to the GAO's current mission statement, the agency exists to support the Congress in meeting its [constitutional](#) responsibilities and to help improve the [performance](#) and ensure the [accountability](#) of the federal government for the benefit of the American people.
- The name was changed in 2004 to Government Accountability Office by the [GAO Human Capital Reform Act](#) to better reflect the mission of the office.^{[4][5]}[\[citation needed\]](#) The GAO's auditors conduct not only financial audits, but also engage in a wide assortment of performance audits.

What is State and Local Government Transparency?

- Is it putting every piece of information online?
- Is it putting strategic amounts of different types of information online?
- What steps need to be taken to create Transparency?

Different Types of Transparency

- Data Dumping

- Gives citizens and taxpayers access to every bit of data in the government entity.
- Every document is published online with the viewer bearing responsibility of making sense of it.

- To glean useful information from a data dump, a citizen would need:

- To have a degree in economics or mathematics.
- Have a team of economist to dig through the data for information.
- Devote hours to reviewing the massive quantity of “data”.
- Or, be skilled professional governmental accountant who really understands this stuff.

The Effect of Utilizing a Data Dump

- Citizens may become erroneously fixated on a number that does not show the entire picture.
- Citizens may draw the wrong conclusion.
- The media will jump in one direction without the requisite exploration of ...”the rest of the story”.

An Alternative is “Strategic Transparency”

- Strategic Transparency is a government’s ability to provide transparent and relevant information about the government’s strategy.
- It will describe what is important to the government and how the goals are being met.
- This form of transparency is most valuable to the government because:
 - Citizens appreciate numbers in context (less misunderstanding more relevant information).
 - They can see trends and how government is performing.
 - They can quickly digest the important information.
 - The government can tie transparency to strategy with quantitative and qualitative information.
 - Easy and digestible information for citizens and other users of the information reduces misunderstandings and prevents negative feedback.

TRANSPARENCY

- State governments spend hundreds of billions of dollars each year through contracts for goods and services, subsidies to encourage economic development, and other expenditures. Public accountability helps ensure that state funds are spent as wisely as possible.
- State-operated spending transparency websites provide checkbook-level detail on government spending, allowing citizens and watchdog groups to view payments made to individual companies, the goods or services purchased, and the benefits obtained in exchange for public subsidies.
- All 50 states operate websites to make information on state expenditures accessible to the public, and in the past year these web portals continued to improve. For instance, all but four states provide checkbook-level data for one or more economic development subsidy programs and more than half of states make that subsidy data available for researchers to download and analyze.

Top 10 and Bottom 10 States in Providing Online Access to Government Spending Data

| Top 10 States | Grade | Score* | Rank | | Bottom 10 States | Grade | Score | Rank |
|---------------|-------|--------|------|--|------------------|-------|-------|------|
| Ohio | A+ | 100 | 1 | | California | F | 34 | 50 |
| Michigan | A+ | 100 | 2 | | Alaska | F | 43 | 49 |
| Indiana | A+ | 100 | 3 | | Idaho | F | 45 | 48 |
| Oregon | A+ | 100 | 4 | | Alabama | D+ | 60 | 47 |
| Connecticut | A+ | 99 | 5 | | North Dakota | D+ | 64 | 46 |
| Wisconsin | A | 97 | 6 | | Delaware | C+ | 77 | 44 |
| Louisiana | A | 96 | 7 | | Hawaii | C | 71 | 45 |
| Florida | A | 96 | 8 | | Wyoming | C | 73 | 43 |
| Massachusetts | A | 95.5 | 9 | | Georgia | C | 74 | 42 |
| Iowa | A- | 94.5 | 10 | | Maine | C+ | 76 | 41 |

Transparency Standards

Comprehensive: A user-friendly web portal provides residents the ability to search detailed information about government contracts, spending, subsidies and tax expenditures for all government entities.

One-Stop: Residents can search all government expenditures on a single website.

One-Click Searchable and Downloadable: Residents can search data with a single query or browse common-sense categories. Residents can sort data on government spending by recipient, amount, legislative district, granting agency, purpose or keyword. Residents can also download data to conduct detailed off-line analyses.

States have made varying levels of progress toward improved online spending transparency.

- *Leading States (“A” range)*: These states offer easy-to-use websites with data on an array of expenditures. Visitors can find information on specific vendor payments, and experts and watchdog groups can download and analyze the entire checkbook dataset.
- *Advancing States (“B” range)*: These states are advancing in online spending transparency, with spending information that is easy to access but more limited than spending information provided by Leading States. Most Advancing States have checkbooks that are searchable by recipient, keyword and agency.
- *Middling States (“C” range)*: Ten states are middling in online spending transparency, with comprehensive and easy-to-access checkbook-level spending information but limited information on subsidies or other “off-budget” expenditures.
- *Lagging States (“D” range)*: The two Lagging States fail to provide tax expenditure reports and provide almost no checkbook-level detail on the recipients of economic development subsidies.
- *Failing States (“F” range)*: Three states fail to meet several of the basic standards of online spending transparency. For example, two of the three (Alaska and California) do not host an online database for searching or viewing expenditure details, and only one makes tax expenditure reports available via a central transparency portal. None of the Failing States provide any information on economic development subsidies.

Opportunities to Improve Transparency

- Only 11 states provide checkbook-level information that includes the recipients of each of the state's most important subsidy programs. While many other states provide checkbook-level information for *some* of their major subsidy programs, disclosure for all programs would provide greater transparency and accountability.
- The checkbooks in four states (Alaska, California, Idaho and Maryland) have limited online search ability.
- Six states (**Alabama**, California, Idaho, Missouri, North Dakota and Wyoming) **do not provide tax expenditure reports that detail the impact on the state budget of targeted tax credits, exemptions or deductions.**
- No state provides a comprehensive list of government entities outside the standard state budget. Ideally, all governmental and quasi-governmental entities – even those that are entirely financially self-supporting – would integrate their expenditures into the online checkbook, and a central registry of all such entities would be available for public reference. Some states provide comprehensive information on quasi-public agencies, but other entities like special districts are still excluded.
- Even top-scoring states should continue to expand the universe of data accounted for by their transparency portals. Important advancements would include supporting municipal- and county-level transparency, public-private partnerships and special districts, and making those data available centrally.
- Most websites fail to match the user-friendliness and intuitiveness common to Americans' everyday experience of the Internet, including, for example, the ability to easily compare data sets or graphs.

TRANSPARENCY -> FAKE NEWS

- Talk about a two-edged sword...Transparency can help you...Transparency can hurt you.
- Transparency opens a multitude of data to be used in legitimate ways, questionable ways and for nefarious purposes – as in “FAKE NEWS”
- What is “FAKE NEWS”?
- How and when did it begin?
- What is the purpose?
- Who does it help/hurt?

FAKE NEWS IS:

- Fake news is fabricated news, has no basis in fact but is presented as factually accurate.
- Yellow journalism/propaganda consisting of disinformation or hoaxes spread in print, broadcast and online social media.
- Written and published with the intent to mislead in order to damage an entity or person to gain financially or politically.
- Its relevance has increased in post-truth politics.
- Fake news has undermined serious media coverage and makes it difficult for journalists to cover significant news stories. (BuzzFeed found that the top 20 fake news stories about the 2016 Presidential election got more coverage on Facebook than the top 20 legitimate election stories.)

Claire Wardle of [*First Draft News*](#) identifies seven types of fake news:

- satire or parody ("no intention to cause harm but has potential to fool")
- false connection ("when headlines, visuals or captions don't support the content")
- misleading content ("misleading use of information to [frame an issue](#) or an individual")
- false context ("when genuine content is shared with false contextual information")
- impostor content ("when genuine sources are impersonated" with false, made-up sources)
- manipulated content ("when genuine information or imagery is manipulated to deceive", as with a "doctored" photo)
- fabricated content ("new content is 100% false, designed to deceive and do harm")

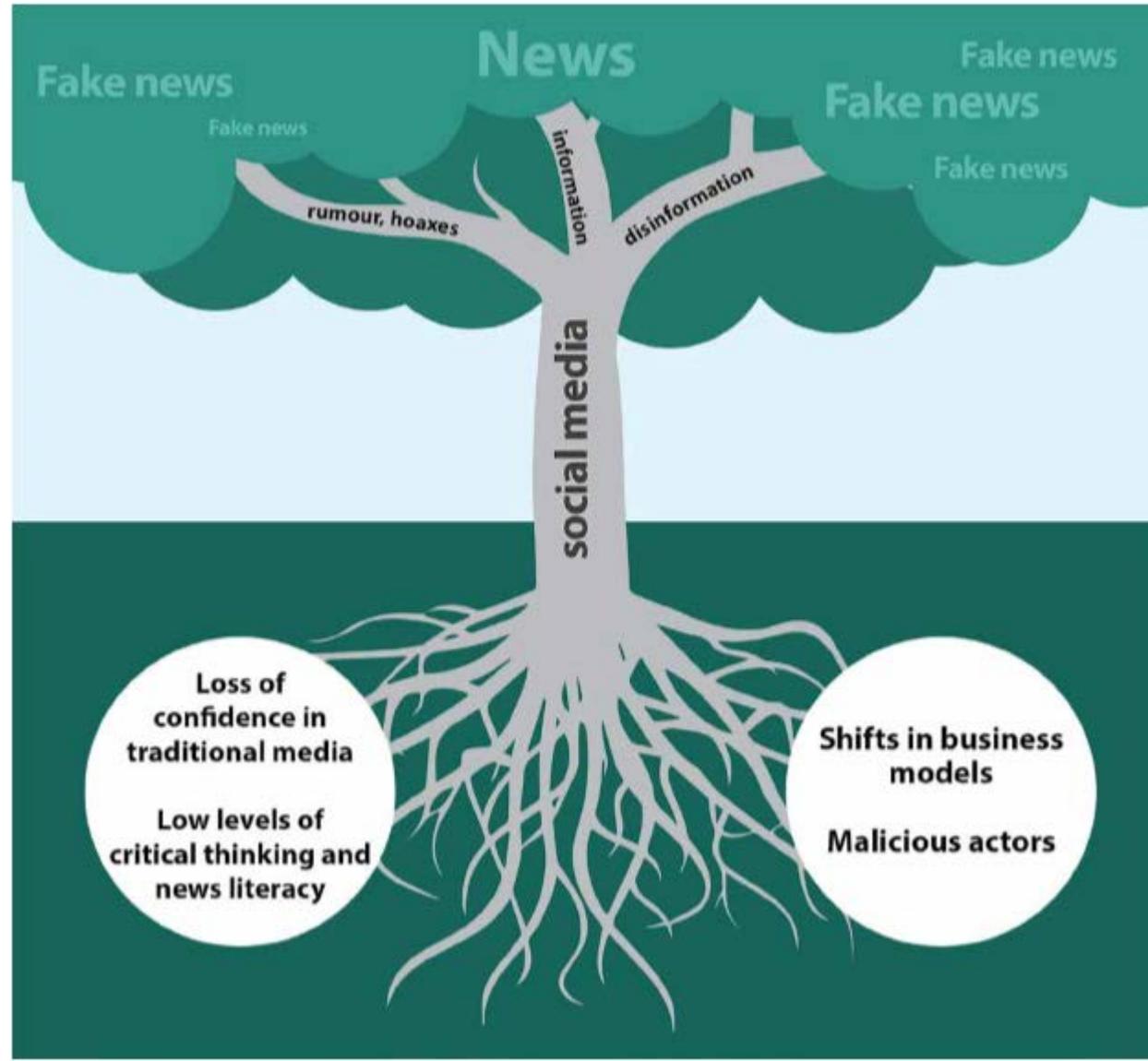
SO, WHEN DID FAKE NEWS BEGIN?

- ANCIENT TIMES?
- MEDIEVAL?
- EARLY MODERN?
- 19TH CENTURY?
- 20TH CENTURY?
- 21ST CENTURY?
- MAYBE FROM THE BEGINNING OF TIME...ADAM AND EVE???

FAKE NEWS IS A HOAX!



THE TREE OF KNOWLEDGE OF FAKE NEWS



HOW TO SPOT FAKE NEWS



CONSIDER THE SOURCE

Click away from the story to investigate the site, its mission and its contact info.



CHECK THE AUTHOR

Do a quick search on the author. Are they credible? Are they real?



CHECK THE DATE

Reposting old news stories doesn't mean they're relevant to current events.



CHECK YOUR BIASES

Consider if your own beliefs could affect your judgement.



READ BEYOND

Headlines can be outrageous in an effort to get clicks. What's the whole story?



SUPPORTING SOURCES?

Click on those links. Determine if the info given actually supports the story.



IS IT A JOKE?

If it is too outlandish, it might be satire. Research the site and author to be sure.



ASK THE EXPERTS

Ask a librarian, or consult a fact-checking site.

CONNECTING THE DOTS...ACCOUNTABILITY...TRANSPARENCY...FAKE NEWS

- Accountants have accountability for accounting systems, financial reporting and Transparency
- Financial Accountability is the backbone of integrity of governments
- Financial reporting is critical to users of government financial data
- Accountability and Transparency are more than popular buzz words
- It is important that government accountants understand how important transparency is and how lack of knowledge can increase FAKE NEWS and allow for misinformation to cripple progress made in Government financial management
- We need to look at examples of how fake news affects the entire government .

A LOOK AT SOME EXAMPLES OF FAKE NEWS

- Alabama Lacking Transparency
- Each Chicagoan owes \$140,000 to bail out Chicago Pensions
- New York sitting on a debt bomb
- Is Our Government Intentionally Hiding \$21 Trillion In Spending?
- Has Our Government Spent \$21 Trillion Of Our Money Without Telling Us?
- [Debunked: Missing \\$21 Trillion / \\$6.5 Trillion / \\$2.3 Trillion - Journal Vouchers](#)
- The Time Bomb Inside Public Pension Plans
- The big myth about America's pension crisis
- The myth about the pension crisis in Alabama
- Unfunded liabilities in Alabama's pension system have increased 500% since 2003. It's time for reform.

QUESTIONS?

Bob Childree

bobchildree@bellsouth.net

Resources

- Wikipedia
- Truth in Accounting
- Crain Communications Inc
- Government Finance Review, February 2013
- Local Government Transparency, ClearPoint Strategy
- Following the Money 2016, U.S.PIRG
- Accountability, Randy Modowski, Adam Reimel and Max Varner