Accountability … All Talk No Accounting

More than anything else, I believe that accountability can only be achieved on top of good accounting.

It seems I have been listening to talk about accountability for ever … more than 50 years at least! Sadly, I cannot remember any time when there was any practical embrace of accountability … rather, everywhere I have been, there has been significant 'push-back' over anything that would have delivered meaningful accountability.

This is a problem, and as long as this problem remains unaddressed, the performance of society and the economy is going to be compromised.

In the corporate organization management accounting has a big role in getting everyone in the organization to be 'accountable' for their performance. While the operations of a company may be complex, the goal of a company is usually quite easy to define ... optimizing for profit ... which translates into more production for less cost. Designing metrics that give accountability in this simple situation is relatively easy, and may be done using rather conventional accounting metrics.

Outside the corporate structure, the issue of accountability gets to be more complex. In my work as a consultant to the World Bank, various UN agencies and others, (over many years going back to the late 1970s) I have been disappointed at the lack of progress in getting much accountability for performance. I don't like generalizations, but in my experience theses big organizations have failed to embrace accounting as an important part of their management and oversight processes. Without accounting it is impossible to have accountability.

Without decent accounting all sorts of bad practices are possible. With good accounting it becomes much more difficult for bad practices to take hold. Good accounting is easy and does not require an advanced university qualification, but it does required a certain level of tenacity and appreciation of ethics. There are good accounting clerks all over the world, but rather less good accounting managers with the right appreciation of ethics. In many situations a good accounting manager with strong ethics will be removed! This should never happen … but it does.

Fast forward to the present time, and there is all sorts of talk about using 'big data' and modern data science to make data accessible, but I am not at all sure what exactly is the purpose of making massive amounts of data accessible. In my work I have always worked with the idea that the best management information was the LEAST amount of data that would enable good decisions to be made ... I never worked with the idea that more data was always going to be better because I was also concerned that the data had to be very low in cost relative to the real work that needed to be done.
I read recently that it is the norm for data oriented projects to spend 80% of the time and money on collecting the data, and just 20% on analysis and use of the data. I find this appalling, because it suggests that the data community is operating in a little bubble quite removed from the big issues of the day. Data science is a tool that ought to be serving the real world to make it much better, rather than simply feathering its own nest!

As a corporate accountant, my idea of accountability was that 'management' would know about untoward behavior almost immediately after the incident, and quickly enough to do something about it before it had much of an impact on the company performance. Mostly this happened in a day's time, or at worse it was within a 6 week window. I contrast this to what seems to happen in government, especially the Washington based US government. Their accountability processes only seem to get cranked up after there has been some whistle blowing or the media has stumbled into a story. This process seems to be too little and too late. Sometimes we are talking about several YEARS after the incident as in the case the Fanny and Freddie inquiries a few years back now.

My impression of much that goes on in government is driven by what is written in words rather than being based on much understanding of numbers, and especially an understanding of costs. Mayor Koch commissioned a study of New York City government costs versus private sector costs late in his administration ... what I remember from this study was that nearly everything done by the city cost 10 times what it would have cost done in the private sector.

This suggests that getting more work done by private contractors could reduce the cost of government ... but this isn't going to happen when the contracting process ends up with a PRICE ten times what it really should be! Years ago, I wrote that the biggest cost in the US economy is profit … and this is an example of this in practice.

I want to see better accounting throughout government, and more information about the government accounts and easily accessible ... with no 'games' being played. Some time ago, I got some information about USAID's activities under the Freedom of Information Act. I think I had to pay for the information on a per page basis. I received several hundred pages of information, and the one page that had (I imagine) some meaningful numbers, the data was redacted. This is a behavior that is unacceptable.

Accountability is important but a rather fuzzy concept. Accounting is more tangible and improvement in the accounting will automatically result in better accountability.

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