



## National Association of State Auditors, Comptrollers and Treasurers

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October 27, 2009

Mr. David Bean  
Director of Research  
Governmental Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, we appreciate the opportunity to respond to the Governmental Accounting Standards Board's Proposed Suggested Guidelines for Voluntary Reporting, *SEA Performance Information*.

We have reviewed the Proposed Suggested Guidelines and while some of our respondents have no objections to the information provided in this document (assuming that reporting of SEA is not intended to become a mandatory part of the GASB reporting package), others still believe that the GASB should not set standards or even publish "suggested guidelines" for SEA reporting.

In addition, some state auditors remain concerned about the level of effort that will be required for ensuring the sixth qualitative characteristic – reliability. Even this latest document fails to identify what party can or should be responsible for ensuring SEA data is reliable. Performance auditing is extremely labor intensive and even limiting the verification process to select indicators in major state agencies would be a monumental task. It is unrealistic to think that external parties can provide any sort of meaningful verification of the vast majority of SEA data without a major expenditure of staff and time resources. Ensuring the reliability of SEA data must be addressed in order for SEA reporting to continue in a meaningful way.

Listed below are comments by paragraph that we believe the Board should consider as it finalizes this document.

#### Paragraph 1:

The Board needs to provide a clear exemption to indicate that such reporting could represent a financial burden for small governments. The following represents suggested wording to be added to the end of paragraph 1 to highlight this possibility.

*This type of reporting is voluntary. As such, small governmental units may find the additional reporting cost prohibitive and effectively choose not to participate. However, those governmental units that have the resources to pursue SEA reporting could provide more information about that government's performance to supplement the traditional financial statements.*

#### Paragraph 4:

The Proposed Suggested Guidelines provide no requirement or distinct suggestion which identifies the relationship between the information represented in the SEA report to the total entity. For example, by not clarifying this relationship, a governmental unit may choose to report only those performance areas where it is successful but only represents a minor portion of that unit's total budget or operations. The following suggested wording could be added to the end of paragraph 4 to make this distinction.

*The user should be able to clearly distinguish the relationship between the SEA reported information and the total financial information or operations reported for the entire entity. This distinction is critical to enable the user to gain a clear understanding as to whether such performance represents a majority or a minority of that entity's responsibilities.*

**Paragraph 5:**

The Proposed Suggested Guidelines make reference to the fact that SEA reporting is a measure of the efficiency and effectiveness of government services. However, the achievement of a government's goals and objectives may have absolutely nothing to do with the efficiency and effectiveness of the services provided. The incorporation of this type of reference elevates SEA's expectations beyond realistic achievements. The following is a suggested change of wording to refocus the area of achievement.

*"The essential components that set forth the types of information an effective SEA report needs to contain in order to provide users with information that will assist them in assessing the achievement of goals and objectives ~~efficiency and effectiveness~~ of government services are as follows:...*

**New Paragraph (after paragraph 9):**

The Proposed Suggested Guidelines do not address reporting who is responsible for SEA information. In order to understand the SEA report, the reader should know whether the measures are a joint effort of the legislative and executive government branches and whether the SEA measures are a part of the government's budget process. The following represents suggested wording in a new paragraph to identify this responsibility.

*"SEA reporting should identify those who are responsible for its information. For example, this reporting should indicate whether the performance measures are a joint effort of the legislative and executive government branches and whether the SEA measures are a part of the government's budgetary process. SEA reporting should also disclose whether the government unit is responsible for more than one SEA measure."*

**Paragraph 13:**

The report should include a discussion on the relationship between the budget process and SEA results. SEA reporting should incorporate how the reader can reconcile the information to the budget, including the percentage of the budget actually tied to SEA performance. Without a discussion of resources allocated, there is no context within which to evaluate the SEA results. The following represents suggested wording to be added to the end of paragraph 13 to address the budget process impact.

*The SEA report should also provide a link between the reported performance measures and the budgetary information, so the reader can understand the resources allocated to achieve certain results.*

**Paragraph 14:**

At times another government will fund and mandate that the reporting entity will provide a service and set the SEA measures for that service. The reporting entity may not agree with the mandated measures and the SEA may not have a financial, statutory, or other relationship to the reporting entity's goals and objectives. The guidance should address whether a government should report information regarding such mandated services and measures. The following is suggested wording to be added to the end of paragraph 14 to establish the need for mandated SEA measures.

*Another government unit may provide funds to the reporting entity, and mandate that the reporting entity provide a service and establish the SEA measures for that service. In such cases, the reporting entity should report SEA information regarding such mandated service and measures.*

**Paragraph 53:**

We recommend that a statement be added to indicate that the SEA report should mention how assurance was achieved and the level of assurance achieved. Illustrations 16 through 18 imply that this is required, but it should be explicitly stated.

**Paragraph 61:**

Due to the constantly changing technology in the different methods of communication, we recommend removing paragraph 61 since this information may become outdated in the near future.

**General Comment:**

We recommend that references to Appendix A and the applicable illustrations be added in the appropriate paragraphs of the main body of the document.

We appreciate the opportunity to provide our comments. Should you have any questions or need additional information regarding our response, please contact Kim O'Ryan of NASC at (859) 276-1147 or me at (304) 558-2251.

Sincerely,

A handwritten signature in black ink that reads "Glen B. Gainer III". The signature is written in a cursive style with a horizontal line at the end.

Glen B. Gainer III  
NASACT President