National Association of State Auditors, Comptrollers and Treasurers

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October 31, 2008

Mr. David Bean
Director of Research
Project No. 20-2
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 Request for Response (RR), *Suggested Guidelines for Voluntary Reporting of SEA Performance Information.*

As previously communicated in our letter dated July 3, 2008, in response to the proposed amendment to Concepts Statement No. 2, we concur with the statement in paragraph three of the RR that says, "It is beyond the scope of the GASB to establish the goals and objectives of state and local government services, to develop specific nonfinancial measures or indicators of service performance, or to set standards of or benchmarks for service performance."

In addition, we are still concerned with the use of the term *integral* when referring to SEA performance information. Paragraph 13 states that SEA performance information is an *integral* part of general purpose external financial reporting (GPEFR). Webster's dictionary defines integral as "lacking nothing essential" or "essential to completeness." This seems to imply that SEA reporting is required rather than voluntary.

As requested, we offer the following feedback in response to the questions posed by the GASB:

1. *Are the components presented in Chapter 2 of this document essential to an effective SEA report? If not, what components should be added? If not, what components should be deleted?*

   Yes. The components presented in Chapter 2 are essential to an effective SEA report. We also believe (as stated in paragraph 19) there may be times when all four components may not apply because of differing objectives and formats of other types of reports.

2. *Which components, if any, are not clearly explained? What modifications or other changes would you recommend?*

   The four components are reasonably clear. However, we do have the following suggestions:

   - Figure 8 and paragraph 37 should include a discussion of the relationship between the measures and the major goals and objectives.
   - The only examples provided under *Discussion and Analysis of Results and Challenges* are favorable results. It would be helpful to also include an example of discussion about unfavorable results (e.g., goals or objectives not achieved).

We have the following comments relating to the last two sentences in paragraph 39:

- Discussing the known unintended consequences and secondary effects of every service in government would get pretty far afield from the SEA objective of clearly reporting performance to a variety of users.
- These sentences pose multiple dimensions (intended versus unintended results, positive versus negative results, and directly associated with goals versus unanticipated secondary effects) and seem to suggest a cascading, chain-reaction of discussion topics.
- The examples do not illustrate these sentences.
- These sentences do not modify the “major challenges” topic in the first part of paragraph 39 but relate more to paragraph 38.

We suggest the GASB delete these sentences or move them to paragraph 38. If they are moved, we suggest the GASB substitute the word “may” for the phrase “also need to” or add the word “relevant” in front of or in place of “known.”

3. *Are the qualitative characteristics presented in Chapter 3 of this document necessary for SEA performance information to be communicated effectively to users? If not, what modifications or other changes would you recommend?*

Yes. The qualitative characteristics presented in Chapter 3 of this document are necessary for SEA performance information to be communicated effectively to users.

4. *Which qualitative characteristics, if any, are not clearly explained? What modifications or other changes would you recommend?*

Reliability – We believe the explanation for this characteristic should be enhanced. Paragraph 74 states that if the reliability of the measures is not assured, then this fact needs to be communicated to users. However, there is no mention of whether or not the report should mention how assurance was achieved or the level of assurance. The inclusion of figures 24 and 25 implies that the report should discuss this; however, this is not clearly stated.

5. *Are there alternative examples that would be clearer and more helpful to readers?*

Figures 9 and 10 provide examples of favorable results. We believe it would be helpful to also include an example of a discussion of unfavorable results.

We also believe some of the current examples could be presented more effectively. Some of the charts could be misleading to readers and may not be readily comprehensible. As noted in paragraph 52, understandable SEA reports depend in part on “the users’ willingness to study and analyze the information with reasonable diligence.” Charts that use only a very small portion of the related scale to depict totals could tend to exaggerate the differences in the reported information. The second chart in figure 10 and the chart in figure 15 are examples of this type presentation. In both cases, a chart showing the complete scale starting at zero would produce bars that were much closer in height/length, which could be a better depiction of the numbers. While there may be a place for these types of charts in SEA reporting, we do not believe that these should be used as the basic examples for SEA reporting.

In addition, the second chart in figure 10 shows the percentage of the total as a line crossing through the bar chart of the total cases. The line chart does not have a corresponding vertical scale (the scale appears to be 0 to 20%). This scale should at least be on the right hand side of the chart. However, again, this line chart could be potentially misleading because it appears to be a very high percentage of the total bar chart, even higher than the total in FY 20X8, instead of the relatively low percentages actually noted. Again, if this chart had the full scales on both sides starting at zero, the percentage line would be reflected in more correct proportion to the total bar graph.

6. *Are there any additional comments or issues related to this Request for Response?*

- This document does not address the issue of a government's costs versus the benefits of SEA reporting. The GASB should consider addressing this issue either in Chapter 1 – Introduction, or throughout the document.

- We suggest the GASB consider a more "plain language" writing style for the guidelines document. Currently, the guidelines are written like standards. Guidelines should be less technical and conceptual and more "how to." The language used should be clear and concise so that the guidelines can be easily read and understood.

- The definition of "Input measures" in Figure 5 on page 12 mentions financial and non-financial resources applied to a service (e.g., staff or dollars). However, <u>demand for government service</u> is also an important input measure. We suggest the GASB clarify that nonfinancial input measures may include, for instance, caseload or workload measures such as number of customers per period or applications per period.

- The purpose of SEA reporting is communication. Clear charts and graphs foster communication by focusing the user on the main message, and two key chart principles are:

  - Choose the right type of chart for the underlying data (e.g., bar graphs for comparing among categories, line charts for comparing change through time, pie charts for showing percentages of the whole).
  - Minimize distractions – "noise" – by eliminating unnecessary details on a chart, such as gray backgrounds, unneeded boxes, legends and gridlines; and avoiding 3-D graphics altogether.

  This document provides examples of charts and graphs, several of which do not appear to be consistent with these principles. We suggest the GASB review the various charts and graphs included in this document and appropriately modify them to be consistent with these principles.

In addition to this letter, we have included in an attachment, various other comments we believe the GASB should consider when finalizing this document.

We appreciate the opportunity to respond to such an important document. Should you have any questions or need additional information regarding our response, please contact Sherri Rowland of NSAA at (859) 276-1147 or me at (517) 334-8050.

Sincerely,

Thomas H. McTavish

Tom McTavish
NASACT President

National Association of State Auditors, Comptrollers and Treasurers
Request for Response, *Suggested Guidelines for Voluntary Reporting of SEA Performance Information*
Attachment

Paragraph/ Figure No.	**Comment**
Para. 20	The last sentence in this paragraph is long and complicated.
Figure 3	The purpose sentence in this example needs to be written in plain language. For instance, the City of Portland's purpose reads: The objective of our work was to document current data, trends, and issues with the City's efforts to deliver services to residents, and the City's accomplishments related to these efforts.
Figure 4	The symbol for greater than or equal to should not be used in the prose of the report. It should be used only in graphs. See goal 2, critical objective b.
Para. 26	The first sentence in this paragraph is unclear. We suggest you end it after "objectives."
Figure 13	It is not clear what the 20X8 "good" bar represents in the graph. Is this an estimate? The legend should identify this.
Figure 14	The reference to management's discussion and analysis has a connotation to RSI and thus a GASB requirement since RSI represents minimum and maximum requirements in the GASB literature. We suggest another phrase be utilized.
Figure 19	The entity's target is unclear. A user cannot identify whether the goals were achieved.
Figure 25	We suggest the GASB add additional language that would address whether any deficiencies were noted by the auditor and then clarify the conclusions reached by the auditor. Just stating that replication occurred is not sufficient.