U. S. Federal Accounting Standards Advisory Board

Overview of Reporting Model Research and Next Steps

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Disclaimer

- Views expressed are those of the speaker. The Board expresses its views in official publications.

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Overview

- Why the Project was Initiated
- User Needs Research Results
- Survey of Sovereign Government Agencies
- Task Force on Government-wide Financial Reports
- Next Steps

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Why the Project was Initiated

- Financial **reporting objectives** based on user needs
- Previous user needs research conducted in the **early 90s**
- **Concerns** exist regarding the benefits of accrual basis financial statements relative to the cost of preparing them
- **Research focused** on the financial statements, terminology, and methods used to communicate basic federal financial information (**reporting model**)

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User Research Results

- Overall
  - Participants sought information that tends to be particular and **specialized**.
  - **Understandability** of financial information was a concern.
  - **Centralized source** for obtaining data

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User Research Results

- Overall
  - Citizens do not **focus on** departments and agencies. They think about **health**, **education**, **homeland security**, etc.
  - **Performance information** sought by all user groups
  - Participants (internal and external) were generally **unaware** of financial statements

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User Research Results

- Citizens
- Executives and managers
- Congress

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User Research Results

Citizens

- Sought data such as…
  - The **cost** of the wars and other costs
  - Federal **assets** and **liabilities**
  - Program **performance** – what did we get for our tax dollars, how successful was the program, how effective was the program

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User Research Results

Citizens

- Concerned about…
  - Understandability of financial information
    - Prefer **interactive charts** and **graphs** to text and tables
    - **Billions** and **trillions** difficult to comprehend
    - Not familiar with **terminology**, e.g. debt held by the public
  - **Perspective** – how does or will this affect me?

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User Research Results

Citizens

- Other
  - Preferred **electronic**, **interactive** delivery over hardcopy

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User Research Results

Citizens Expectations for an Interactive Report

- A **summary** of key items and **links** to more detail or drill-down capability.
- **Highly** visual presentations, such as graphs, charts, maps, etc. linked to additional information, **limited text**.

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User Research Results

Citizens Expectations for an Interactive Report

- **"Mouseover"** capability. This would enable them to mouseover an item and see additional information, such as the definition of a technical term or an abbreviation; rather than defining the item once and developing a glossary and list of abbreviations.

- **Context** such as how does the amount of the agency's costs compare with other agencies; and what services did the agency provide in the local area?

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User Research Results

Executives and Managers

- Sought data such as…
  - **Budget authority** provided, amount obligated, and amount remaining available
  - Unit **Costs**, project costs, program costs, net revenue per unit
  - **Program Performance**

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User Research Results

Executives and Managers

- Concerned about…
  - **Understandability** of financial information
    - Believed that **training** should be provided
  - **Timeliness**
    - Data needs to be timely – at least monthly but preferably sooner
  - **Access** to detailed data for specific issues

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User Research Results

Executives and Managers

- Other
  - Developed their **own systems and reports** to overcome concerns
  - Preferred **electronic delivery** over hardcopy

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User Research Results

Congress

- Sought data such as…
  - **Cost, purpose, and quantity** of certain equipment purchased for the Iraq and Afghanistan war
  - Lodging **expenses** of government agencies
  - The actual borrowings and spending progress compared with projections by quarter and by project for capital outlay borrowings

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User Research Results

Congress

- Sought data such as…
  - The net program performance benefits achieved as a result of major capital investments made by executive agencies for information systems and how the benefits relate to the accomplishment of the goals of the executive agencies

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User Research Results

Congress

- Sought data such as…
  - Funds obligated for humanitarian and civic assistance costs
  - Program results per thousand of dollars
  - Maintenance backlogs

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User Research Results

Congress

- Concerns
  - Must consult **various sources** to obtain data
  - Need **quality program performance** information
  - **Understandability**

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Survey of Sovereign Government Agencies

Respondents

- Australia
- Chile
- Estonia
- Korea
- New Zealand
- Norway
- Spain
- Sweden
- Switzerland
- United Kingdom

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Survey of Sovereign Government Agencies

- **All** respondents indicated that agency statements are prepared in **accordance with standards and audited**. Some noted:
  - lower level statements (Accounting Unit or bureau) could be obtained but are not required.
  - the internal audit function as an addition to independent audits.
  - statements are not issued to the public.
  - a legal requirement to issue by a certain date.

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Survey of Sovereign Government Agencies

- **All** 10 include a **'balance sheet.'** Names include (most common first):
  - Balance sheet
  - Statement of financial position
  - Statement of investment

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Survey of Sovereign Government Agencies

- **All** 10 include an **'income statement.'** Names include (most common first):
  - Income statement
  - Statement of financial performance/operation
  - Statement of comprehensive net expenditure
  - Statement of net cost
- 1 of 10 – Statement of Expenditures and Revenues

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Survey of Sovereign Government Agencies

- **8** include a **budgetary statement** (budget to actual or a report on resources)
- 6 include a statement of cash flows
- 5 include statement of changes in (equity/net assets/taxpayer equity/net position)
- 1 includes commitments and contingencies
- 1 indicated that agencies may include accrual statements

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Survey of Sovereign Government Agencies

Key Metrics

- Monitor **budget execution** through use of resources vs. planned use
- **Trends** in **capital acquisitions**
- **Audit qualification** provides key quality metric
- Financial goals versus planned goals
- **Cost** per employee
- Financial ratios compared across agencies

*Some noted a lack of experience in using metrics.

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Federal Reporting Model Task Force - Government-wide Recommendations

- Web delivery model
- Government-wide performance information
- **Net cost and spending by function**
- Statement of spending requirements
- Intergovernmental financial dependency

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Federal Reporting Model Task Force - Government-wide Recommendations

- Improved reconciliation of deficit and operating cost
- Reclassify the reconciliation of cash and debt changes
- Re-orient the balance sheet and improve stakeholder link
- Explain the difference between net liabilities and fiscal gap
- Establish a web-site for reports and raise awareness in the near-term

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Reporting Model – Next Steps

- Potential areas being discussed
  - Statement of net cost
  - Performance Reporting
  - Budgetary Reporting

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Contact and Website Information

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