



Federal Accounting Standards Advisory Board

June 17, 2016

Memorandum

To: Members of the Board

Wendy M. Payne /s/

From: Wendy M. Payne, Executive Director

Subj: Three-Year Plan and Project Priorities– **Tab I**¹

MEMBER ACTIONS REQUESTED:

- By June 26th, contact me with your questions and/or suggestions regarding the research projects.
- At the meeting, provide input regarding the objectives of new research projects.

MEETING OBJECTIVES

- To review and approve two projects – a research project on performance reporting and a staff led project to update concepts.

BRIEFING MATERIAL

This memo summarizes the April ranking of potential project objectives, proposes next steps on the performance reporting project as well as a new staff led update of existing concepts, and poses questions for discussion at the meeting.

Attachment 1 – Potential Project Objectives Ranked in April

Attachment 2 – Active Project Timelines

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

BACKGROUND

Earlier this year, members reviewed responses to our FY2016-2018 three-year plan (for responses see http://files.fasab.gov/pdf/files/tab_J_3_year_plan_feb_2016.pdf) and ranked potential projects. Seven members ranked one or more potential projects related to performance reporting (Financial Performance Reporting, Financial/Economic Condition Reporting, Performance Reporting, and Cost Accounting) in their top three priorities. However, no single potential project received majority support from members.

Table 1: Member Priorities as of February 2016

Potential Projects Rated as Top 3	# of Members
Projects Relating to Performance:	
Financial Performance Reporting	3
Financial/Economic Condition Reporting	2
Performance Reporting	2
Cost Accounting	2
What is meant by performance statements as part of RSI in reporting model	1
Defining programs & activities so that cost can be reported	1
Performance Measurement	1
Subtotal of Top 3 rankings relating to performance	12
Other potential projects:	
Electronic	3
Summary or Popular Reporting	2
Asset Retirement Obligations	2
(Projects ranked by one member were omitted.)	

At the April meeting, members ranked potential objectives related to (1) the projects relating to performance, (2) an electronic reporting project, and (3) summary or popular reporting. The ranking was intended to clarify the objectives of the members supporting these broad projects. Because the potential objectives could be viewed as extending beyond traditional GAAP and relate to work already underway at other organizations (such as implementation of the DATA Act and GPRA MA), some of the objectives might be best addressed through a vehicle other than accounting standards. For example, a recommended practice guide or research report may be useful.

Members provided their rankings. The complete results are presented in Attachment 1 and summarized in the discussions below.

PROPOSED CHANGES TO THE THREE-YEAR PLAN FOR FY2017-2019

Add Performance Reporting to the Research Agenda

The performance reporting objectives receiving consensus support were:

Overall objective (goal) - **Identify characteristics and elements of effective performance reports such as measures of efforts, accomplishments, measures relating efforts and accomplishments, and discussion and analysis**

1. Identify the users of performance information, performance reporting objectives, financial information needed to meet these objectives, and the necessary qualitative characteristics of performance information
2. Define “program” and establish guidance on applying or implementing the definition
3. Identify factors that should be considered in determining how to aggregate or disaggregate performance and financial information
4. Define terms used in performance reporting such as efficiency, effectiveness, inputs, outputs, outcomes, performance indicators, and objectives
5. Provide a framework for integrating budget, costs, and service performance information

The above objectives would be refined following the research period by developing a project plan.

Next steps in the **reporting model** project should be coordinated with the **performance reporting** project. Next steps for the reporting model effort should be identified before the end of 2016. At that time, we would decide on priorities and detailed plans for these related areas so that efforts can be coordinated.

During the research portion of the performance reporting project, I propose that we arrange educational sessions. These sessions would occur during the remaining 2016 meetings. Potential topics include:

1. Status and plans for meeting existing federal requirements such as the Government Performance and Results Act Modernization Act and reporting practices

2. Challenges and progress in defining program² including government-wide and agency perspectives
3. Lessons learned from GASB and IPSASB performance reporting guidance
4. Input on user needs

Questions for members:

Do you agree that this effort should be coordinated with the next steps in the reporting model project and, therefore, remain a research project until early 2017?

What, if any, changes would you suggest to the objectives identified for the project?

Would educational sessions be beneficial to you? If so, suggestions for topics or speakers are welcome.

Electronic and Summary Reporting Remain Potential Projects

While these projects received some support from members, they were not as strongly supported as the performance reporting project. The highly rated objectives are shown in attachment 1. Because resources do not permit us to address additional projects in the near future, I propose that we not add these projects as research projects.

Instead, the feedback you provided on objectives would be used to improve the potential project descriptions in the FY2016 three-year plan. Further, some of these objectives may be raised in considering next steps in the reporting model project. For example, summary reporting is addressed in the proposed concepts and may lead to projects on new standards or other guidance.

Question for members:

Do you agree that these two projects should not be added to the research agenda at this time?

Omnibus Concepts Update to Improve Consistency

As you may recall, the tax expenditures proposal refers to “other information” because the American Institute of CPAs no longer uses the term OAI. It now defines OI as “Financial and nonfinancial information (other than the financial statements and the auditor’s report thereon) that is included in a document containing audited financial statements and the auditor’s report thereon, excluding required supplementary

² There is a statutory requirement for a program inventory and guidance on developing the program inventory.

information .” The Board agreed to use OI in the tax expenditures ED and to make conforming changes in the concepts statements and standards.

In addition, our conceptual framework has evolved over twenty-plus years. We are now working on what will become SFFAC 8. Terminology in later concepts statements sometimes conflicts with that of earlier statements. For examples, disclosures are referred to as disclosures, footnotes, or notes depending on which statement you are reading. Certain standards also contain concepts. For example, SFFAS 4 contains managerial cost accounting concepts.

In addition, the proposed reporting model concepts may introduce additional differences. While these differences may appear slight, they may be confusing to future staff and members.

I propose that staff review the concepts statements and propose an omnibus amendment ED using these ground rules:

1. Technical terms would be made consistent using the most recently developed terms
2. References to FASAB’s memorandum of understanding, documents, and drafts; OMB publications; and laws would be updated³ if doing so improves the usability of the concepts
3. Incorporate concepts that were promulgated in standards if they were not otherwise addressed in the framework
4. Where differences in the substance of the concepts have the potential to be confusing, the most recent substance would be used to update earlier concepts
5. Where differences are minor, no revision would be made

Note that this is envisioned as primarily a staff level project. The Board would not receive proposals incrementally. Instead, the Board would receive a completed draft omnibus exposure draft for approval. If the Board is unable to agree on an individual proposed change, we would remove the proposed change from the omnibus and consider listing it as a potential project in the next three-year plan.

Question for members:

Do members approve the plan for an omnibus amendment to concepts statements? (If not, we will provide the needed amendments to make the previously approved change to OI.)

³ Ideally, such updates would be made through references that would not grow stale over time.

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Attachment 1 – Potential Project Objectives Ranked in April

April 2016 Rankings (Highly ranked objectives are shown in bold.)	# of Members Ranking as:		
	1	2	3
Potential Objectives Related to Performance Reporting:			
a) Identify the users of performance information and the types of financial information they desire	5	1	1
b) Determine whether the reporting boundary for performance should be the same boundary as for financial reporting and how the boundary (scope) of the report(s) should be described.	3	0	1
c) Identify performance reporting objectives and qualitative characteristics desired by users (for example, performance reporting should enable users to identify the efforts and accomplishments as well as their efficiency and effectiveness)	6	0	0
d) Identify aspects of the organization, budget, strategic plan, and other structures (or management aspects) of federal agencies that indicate the boundaries of a “program”	1	2	0
e) Define “program” and establish guidance on applying or implementing the definition	5	0	0
f) Identify factors that should be considered in determining how to aggregate or disaggregate performance and financial information	4	2	0
g) Identify factors to consider in aggregating transaction level data	1	1	1
h) Identify factors to consider regarding the need for comparability (for example, what factors imply a greater need for comparability versus a lesser need) and how users can be alerted to comparability issues (if needed)	1	3	2
i) Identify elements of effective performance reports such as measures of efforts, accomplishments, measures relating efforts and accomplishments, and discussion and analysis	8	0	0
j) Require a complete performance statement within financial reports and specify what it should include (for example, measures of efforts and accomplishments and/or the relationship between efforts and accomplishments (efficiency and effectiveness measures))	2	2	0
k) Define terms used in performance reporting such as efficiency, effectiveness, inputs, outputs, outcomes, performance indicators, and objectives.	6	2	0
l) Develop an inventory of financial terms and plain language definitions that may be useful in performance reporting (for example, the many types of cost (budget) information and varied use of the term “cost” (budget))	0	2	2
m) Recommend financial information that might be displayed (such as total cost of service, incremental cost of service, spending, transfers, administrative costs, obligations, or outlays) and factors that influence selection among them	1	2	2
n) Identify financial performance measures, assist in selecting among them, suggest plain language explanatory information, and describe the challenges and limitations of government financial performance measures	0	4	1

Attachment 1 – Potential Project Objectives Ranked in April

o) Identify information helpful for assessing financial or economic condition such as key financial ratios, information about the tax system, cost trend information at disaggregated levels, external reports (rating agency), benchmarks against other nations, inter-governmental financial dependency measures.	0	3	1
p) Develop a guide to using, developing, and reporting cost information	0	1	3
q) Provide a framework for integrating budget, costs, and service performance information	4	0	2
r) Develop a taxonomy of auditable accounting codes that tie each expense journal entry to a type of benefit or outcome	0	1	3
Insert: Integration between statutory/regulatory performance reporting and FASAB requirements	0	0	0
Potential Objectives Related to Electronic Reporting:			
I. Provide audited generally accepted accounting principles-based financial statements online and provide a capability for users to drill down from amounts presented in the general purpose financial statements.			
a) Identify the users and their objectives	3	1	0
b) Provide a framework for creating drill-down capabilities that contribute to meeting those objectives.	5	1	0
c) Provide guidance on the use of alerts for readers moving from audited level data to unaudited data.	1	0	2
d) Set definitions and strategies and create uniform standards for data content.	2	0	1
e) Set definitions and strategies and create uniform standards for database design and logical data model constructs for easier extraction, transformation and processing.	1	0	2
f) Set guidelines for integrating federal, state and local information.	0	2	1
Potential Objectives Related to Popular Reporting:			
a) Identify the intended user(s) of such reports (for example, general citizens, key stakeholders such as grant recipients or state officials, appointed or elected officials, analysts or others)	2	2	0
b) Consider the need for reporting objectives specific to popular reports (to possibly narrow the focus of the presentation)	4	2	0
c) Identify specific report characteristics that effectively communicate information to the intended user (content as well as publication characteristics such as length, white space, use of graphs)	3	2	0
d) Identify characteristics of summary financial information desired by the intended users	5	0	0
e) Identify characteristics of summary budgetary information desired by the intended users	5	0	0
f) Identify characteristics of summary performance information desired by the intended users	5	0	0

Attachment 1 – Potential Project Objectives Ranked in April

g) Develop comprehensive guidance for preparers of popular reports including desired content regarding the organization, its performance and financial results, and publication characteristics (for example, length, white space, graphs).	1	1	2
h) Develop criteria to assess the quality of popular reports (for example, similar to the CEAR review criteria)	0	0	2
i) Develop guidance for (or examples of) relevant analysis of financial information (for example, factors to aid in selecting specific matters for further analysis, guidance on use of trend information, examples of analytical material extending beyond pointing to the amount of change in a line item)	2	0	1
j) Develop guidance to facilitate integration of financial and performance information (for example, guidance on selecting among budgetary or financial amounts to present; guidelines for deciding whether to present appropriations, obligations, outlays, full cost, transfer payments, administrative costs or other amounts; example explanations in plain language for these terms)	2	2	0
k) Identify ways to create awareness of the reports and make the reports more accessible	0	3	0
l) Develop prototype popular reports useful to a variety of departments and agencies (for example, a prototype for a regulatory agency versus a service-delivery agency)	0	3	0

Attachment 2 – Project Timelines

Active Project Timelines

Project and Objective	FY2016	FY2017	FY2018
<p>Financial Reporting Model</p>	<p>Issue Exposure Draft of concepts statement</p>	<p>Finalize concepts statement Identify and research discrete projects needed to support the ideal model and decide vehicle(s) for guidance</p>	<p>Develop and finalize proposals through discrete projects</p>
<p>Leases Evaluate existing standards to improve comparability and completeness of reporting</p>	<p>Issue Exposure Draft</p>	<p>Redeliberation</p>	<p>Finalize Standards</p>
<p>Risk Assumed Develop standards so that information about risks assumed by the federal government and their potential financial impacts are available</p>	<p>Issue Phase 1 Exposure Draft(s) Begin Research for Phase II and III</p>	<p>Finalize Phase I Standards Develop Exposure Drafts for Phase II</p>	<p>Phase I Implementation Guidance as Needed Issue Phase II Exposure Draft(s) Phase II Public Hearing Finalize Phase II Standards</p>
<p>Department of Defense Request for Guidance</p>	<p>Continue Liaison to the DoD Workgroups – Develop Due Process Documents and Seek Input</p>	<p>Continue to respond to requests for guidance</p>	
<p>Tax Expenditures</p>	<p>Issue Exposure Draft</p>	<p>Redeliberation Finalize Standards</p>	

Attachment 2 – Project Timelines

Project and Objective	FY2016	FY2017	FY2018
<p>Reconciling Budget and Accrual Information – Alignment between Agency and Government-wide Requirements</p> <p>(This project is related to the reporting model project. Incremental changes will be considered first. Decisions regarding next steps will be taken as the ideal model is developed.)</p>	<p>Research</p>	<p>Issue Exposure Draft</p> <p>Finalize Standards <u>Consider Next Steps in Reporting Model Project</u></p>	
<p>Land and Land Rights</p>	<p>Research Begin Developing Exposure Draft</p>	<p>Issue Exposure Draft</p>	<p>Redeliberation Finalize Standards</p>
<p>Public-Private Partnerships</p>	<p>Issue P3 Disclosure Requirements Consider Implementation Guidance</p>	<p>Issue Implementation Guidance as Needed</p>	<p>Phase II – Recognition and Measurement</p>
<p>Implementation Guidance (as needed in the year before or of implementation)</p>		<p>Opening Balances (inventory and G- PP&E) Reporting Entity</p>	<p>Public-Private Partnerships (Disclosures)</p>