



Federal Accounting Standards Advisory Board

October 3, 2008

Memorandum

To: Members of the Board

From: Ross Simms, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: The Financial Reporting Model – TAB I¹

MEETING OBJECTIVES

The purpose of the meeting will be to discuss the plan for studying the needs of users of federal financial information, including the questions that staff plans to ask study participants.

BRIEFING MATERIAL

The briefing material is provided in Attachment I: Federal Financial Reporting User Study.

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

At the June 2008 meeting, members approved an expanded project plan for the reporting model. The plan involves four phases: 1) study user “needs” for federal financial information; 2) determine the inventory of user needs and how they relate to the reporting objective; 3) determine methods for meeting user needs; and 4) determine presentation. As indicated in Figure 1: Reporting Model Project Phases, studying user needs for federal financial information would be the initial phase to complete and each subsequent phase would build on those results.

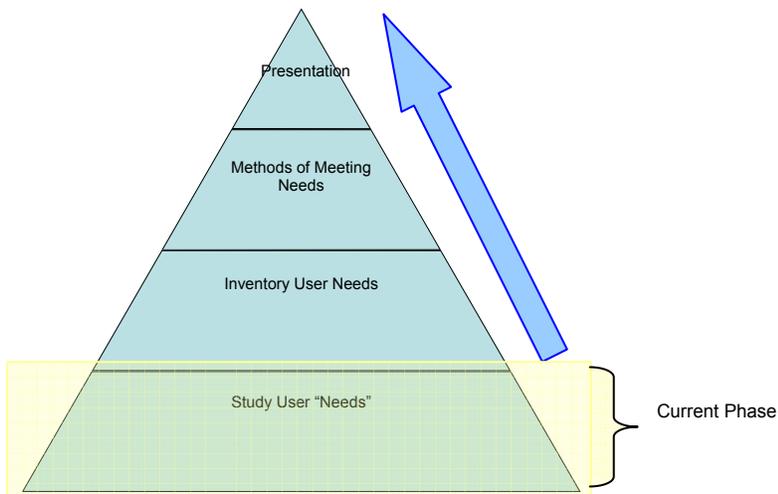


Figure 1: Reporting Model Project Phases

Some other features of the plan are as follows:

- Each phase will include a planning, execution, and review component. This approach would help in monitoring progress and identifying the need for any adjustments before continuing to the next phase.
- During each phase staff will inform the Board of issues identified and proposed solutions. Also, at the completion of each phase, staff will inform the Board of outcomes and any additional issues and proposed solutions.
- The project will consider progress on on-going Board projects such as the conceptual framework projects, Fiscal Sustainability, and Social Insurance.

ISSUES

Staff has initiated the first phase and has developed a plan for conducting discussions with users. The plan is presented in Attachment I: Federal Financial Reporting User Study. Staff is seeking comments regarding the following:

1. Does the Board agree with the overall approach for conducting the study?

In determining an approach for the first phase of the project, staff considered whether to conduct a survey or conduct focus groups discussions. A survey would involve developing survey questions and providing the questions to a randomly selected group of users. This would permit staff to make quantitative assessments about the views of the user population. However, one of the Board's concerns is that there are few readers of federal financial reports and, in consulting with the Government Accountability Office's (GAO) Applied Research and Method's (ARM) group, staff learned that a lack of reader interest or knowledge about a subject may make obtaining survey responses difficult. Consequently, obtaining a valid sample of responses may not be practical.

On the other hand, focus group discussions provide qualitative information on issues. Businesses have often used this approach to develop products for consumers. While the views of the participants may not be representative of the population of users, the focus group approach allows participants to engage in a discussion on issues and the discussion can facilitate an in-depth analysis of a question.² Also, as part of various projects, the Governmental Accounting Standards Board (GASB) used focus groups to study users, such as in the early stages of its research project on service efforts and accomplishments. The purpose of the research was to learn about citizen's perceptions of performance measurement for government and the researchers believed that communication of performance information was not extensive enough to support quantitative research.³

At least for the initial phase of the project, staff proposes focus group discussions with the users of financial reports identified in SFFAC 1 - citizens, Congress, executives, and program managers.⁴ Staff consulted with ARM to develop the approach which is provided in Attachment I: Federal Financial Reporting User Study.

2. Does the Board agree with the questions staff plans to answer during the study?

The questions are designed to help develop conceptual guidance for the Board rather than to describe existing practices. In addition, the questions are broad and do not "narrow" the discussion to primarily consider "financial" information or traditional views of financial reporting. Attachment I: Federal Financial Reporting User Study, page 3, provides additional discussion on the questions.

² Gil Crain "The Governmental Accounting Standards Board's reporting model: A user's perspective." *The Government Accountants Journal*, 47, no. 2 (July 1, 1998), p. 12.

³ Governmental Accounting Standards Board, *Research Report: Report on the GASB Citizen Discussion Groups on Performance Reporting*, July 2002, p. 1.

⁴ SFFAC 1, *Objectives of Federal Financial Reporting*, par. 75.

3. Are there other questions the Board would like answered during the study?

If you have questions or need additional information, please contact me at 202-512-2512 or by email at simmsr@fasab.gov as soon as possible. I will be able to consider and respond to your request more fully in advance of the meeting.

Attachment

**ATTACHMENT I
FEDERAL FINANCIAL REPORTING
USER STUDY**

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Objective

The objective of the study is to determine what information individuals or organizations (users) expect from the federal government to assist them in assessing its accountability and in making decisions with respect to the federal government.

Methodology

As the first step in the reporting model project, the approach for the study is to conduct focus group discussions to gather qualitative information on federal financial report users and the information they draw on for assessing accountability and decision-making. This approach does not presume that the existing reporting model and objectives - budgetary integrity, operating performance, stewardship, and systems and control are the starting point for the study. Instead, it starts from a “fresh” perspective. This would help (1) provide an opportunity to verify who the users are; (2) provide an opportunity to verify what information they use (whether or not the information is currently required by the FASAB); and (3) maintain a focus on what “should be” rather than “what is.” Also, while the Board’s previous study focused on agency reporting,⁵ this study will take into account perspectives for government-wide and agency reporting.

Conceptually, the users of federal financial reports include citizens, Congress, executives, and program managers.⁶ However, Board members have expressed concern that these users may not utilize the existing financial reports for assessing accountability and decision-making. Also, although many potential users may say that they never use the financial reports or may not be able to articulate what information they find “useful,” users may benefit from financial report information that has been communicated by other means such as in a news article or special report. Accordingly, the study considers that some users may indirectly obtain information from financial reports.

Focus Groups

The FASAB staff plans to conduct focus group discussions with participants from each of the following user groups: (1) citizens; (2) Congressional staff; (3) federal executives; and (4) program managers from various federal reporting entities. Because individual citizens rely on intermediaries for information, that focus group will consist of citizen research or advocacy organizations, state and local government officials, analysts, and media representatives. Also, because the citizens group consists of a broad range of users, and they are the primary audience for the consolidated financial report of the U.S. Government, staff plans to conduct two sessions for this group, while conducting one session for each of the other groups. For each user group, the planned number of focus group discussion sessions and participants is as follows:

⁵ See staff’s June 4, 2008 issue paper, pp 5-7, available at <http://www.fasab.gov/conceptsfinan.html> for a discussion on the FASAB’s initial user study.

⁶ SFFAC 1, *Objectives of Federal Financial Reporting*, par. 75.

User Group	Number of Focus Group Discussion Sessions	Number of Participants
Citizens	2	8 to 10
Congressional Staff	1	8 to 10
Federal Executives	1	8 to 10
Program Managers	1	8 to 10

Focus group participants will primarily be selected from the network of constituents who have worked with the FASAB on previous projects. Also, all participants will be provided with a copy of FASAB Facts⁷ to assist them in understanding the mission of the Board and the context for the discussions. Primarily, the agenda for the focus group discussions are provided in Appendix I: Discussion Guide, beginning on page 5.

Focus Group Questions

The focus group discussions will involve open-ended questions that permit participants to describe (1) what they do; (2) what information they utilize; and (3) how they process the information into assessments and decisions. These questions, presented in Appendix I: Discussion Guide, beginning on page 6, may assist the Board in developing a current understanding of users, the types of decisions they make, where they get the information they use and why, and what steps users must take to get the information in a form that is beneficial to them. The questions may also assist the Board in learning what information users are seeking and what characteristics they consider when they decide to use an item of information. Linking information demands to a specific activity may help the Board avoid considering unsupported demands for information that is too costly to produce.⁸ Additionally, the questions are intended to allow participants to speak freely without influence from the moderator. Their open-ended structure permits discussion of more than simply “financial” information and the existing financial reporting model.

Limitations

The methodology for the study primarily involves focus groups. This approach is not designed to be a statistical representation of a population. Thus, the opinions expressed by the individuals may not be representative of the overall views of the larger population. Instead, the approach provides qualitative information on the perceptions of the group and provides insights into user needs for federal financial reporting information.

⁷ Available at <http://www.fasab.gov/aboutfasab.html>.

⁸ Federal Government Reporting Study: A Joint Study by the Office of the Auditor General of Canada and the United States General Accounting Office [Government Accountability Office], GAO/AFMD-86-30B, p.166.

Board Question 1

Does the Board agree with the overall approach for conducting the study?

Appendix I: Discussion Guide

I. PURPOSE

To determine what information individuals or organizations (users) expect from the federal government to assist them in assessing its accountability and in making decisions with respect to the federal government.

II. INTRODUCTION

A. Background

The FASAB develops accounting principles and standards for the United States Government and in 1999, the American Institute of Certified Public Accountants (AICPA) recognized the FASAB as the body that establishes generally accepted accounting principles (GAAP) for federal entities. The FASAB believes that accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of government.⁹ To achieve its mission, the FASAB considers the information needs of the public, Congress, managers, and others.

We are asking focus group participants to share their views about the information that the federal government should be reporting to demonstrate its accountability and to facilitate decision-making with respect to the federal government.

B. Housekeeping Items

1. Introduction of moderator and participants
 - a) Explain what a focus group does
 - (1) A group of individuals gathered together to discuss a product or service – in this case, information you expect the federal government to provide to demonstrate its accountability and to facilitate decision-making with respect to the federal government.
 - b) Explain moderator's role
 - (1) Moderator will keep the group focused on the topic
 - c) Explain participant's role
 - (1) Participants will discuss the issues and answer the questions raised by the moderator
2. Instructions regarding breaks
 - a) Location of restrooms
 - b) Leave quietly and return quickly
3. Meeting will last roughly 2 hours

⁹ FASAB Facts available at <http://www.fasab.gov/aboutfasab.html>, p 2.

- a) Direct comments to the group and avoid side conversations
- b) We are taping so that a report of the discussion can be prepared
- c) Taping permits following discussions without taking notes
- 4. There are no “wrong” answers
 - a) All comments and opinions are valued
 - b) Comment on anything that is discussed today
 - c) There is no wrong opinion, if there is disagreement, that’s fine - diversity is good

III. TOPICS OF DISCUSSION

- A. What do you do?
 - 1. How do you define your job?
 - 2. For what kind of organization do you work?
 - 3. How do your responsibilities relate to others in the organization?
 - 4. With what subjects or issues are you concerned regarding the federal government?
 - 5. What kinds of decisions do you make regarding the federal government?
 - 6. In what analytical processes do you engage?
- B. What information do you utilize?
 - 1. What information do you utilize for making decisions regarding the federal government?
 - 2. What information do you expect to be provided about the federal government and its services? (for citizens)
 - 3. What are the sources of information you use and why are those sources used?
- C. How do you accumulate and process information from various sources to assess the federal government’s accountability and for decisions with respect to the federal government?
 - 1. What factors do you consider when you decide to use an item of information?
 - a) Possible examples
 - (1) source
 - (2) independently verified
 - (3) level of aggregation
 - (4) timeliness
 - 2. How do you convert the information into assessments and decisions?

IV. CONCLUSION

- A. Inform participants that their views will be provided to the FASAB.
- B. Thank participants for their participation.

LOGISTICS

FASAB staff will schedule each discussion and inform participants of the discussion dates and time. Discussions will be scheduled for two hours and focus groups will involve 8 to 10 participants.

Discussions will be conducted at the GAO, located at 441 G St NW, Washington DC 20548. The GAO is located across the street from the Building Museum, near the Judiciary Square metro stop.

Provide participants with FASAB Facts at least a week before the discussion.

Board Question 2

Does the Board agree with the questions staff plans to answer during the study?

Board Question 3

Are there other questions the Board would like answered during the study?