



## Standards Watch

### HIG: It's a Question of Performance

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"HIG" illustrates the way we are communicating and the kind of questions being asked. HIG is a text message abbreviation for, "How's it going?" It shows we are using as few characters as possible to engage in conversations by posing a commonly asked question using just three characters. Whether we're engaging in sport, work, or politics, a question will soon arise about "how's it going?" For instance, at the 2012 Olympics, thousands of athletes engaged in a wide variety of events over a span of several days and, during or at the end of each event, someone likely asked "HIG." HIG is a question of performance and performance information has become central to many of the discussions in government as well.

The President, Congress, managers, and other officials are examining data to develop strategies to slow the growth of the nation's debt. In deciding where such strategies should be focused, answers to "HIG" may become increasingly important. To help evaluate how well a government activity performed, financial performance data should be linked with service performance data to inform budget decisions. The FASAB has recently initiated projects to consider enhancing the reporting model to better present service performance, cost, and budget information.

The existing federal financial reporting model includes service performance, cost, and budgetary information. The Management's Discussion and Analysis includes a summary of performance goals, objectives, and results. A statement of net cost shows the net cost of an organization's operations. In addition, the statement of budgetary resources presents the status of agency level budgetary resources. While recent legislation and user studies have affirmed the importance of this type of information, they have also shown the need to improve the reporting of such information to improve the understandability and decision usefulness of the information.

For example, the Government Performance and Results Act (GPRA) Modernization Act of 2010 updated the GPRA of 1993 and considered the advancements in technology and lessons learned in performance management over the years. The Modernization Act requires agencies to provide performance information in a searchable, machine-readable format, and make the information available on their public websites. Also, FASAB surveyed the general public regarding information they expect to see in financial reports and we learned that about 77 percent of respondents believe that service performance information was very or extremely important.<sup>1</sup>

In addition, we learned that information about the cost of programs was very or extremely important. In discussions with citizens, we found that disaggregated cost information, trends, and explanations of trends were important. They wanted to know about the cost of specific government actions like the cost of the wars (Iraq and Afghanistan) and whether the cost has changed over time. Additionally, respondents appeared more interested in government functions like defense, transportation, and education, than government agencies by title.

Also, through our focus group discussions, roundtables, and interviews, we learned about the need for improvement in budgetary reporting. Budgetary presentations in financial reports were challenging for citizens to understand and some participants believed that a budget to actual comparison would be more beneficial. Also, the level of budgetary resources made available through laws other than annual appropriation acts has increased significantly over the years.

For example, federal spending could be categorized as mandatory, discretionary, net interest. While discretionary spending is controlled by annual appropriation acts, mandatory spending, which includes entitlement programs like Social Security and Medicare, is not. Net interest spending involves government interest payments on

debt and is offset by interest income.<sup>2</sup> In 1962, less than 30% of all federal spending involved mandatory spending.<sup>3</sup> However, by fiscal year 2011, mandatory spending accounted for over 56 percent of federal spending.<sup>4</sup> Determining how best to communicate matters such as the differences in how budgetary resources are made available could be considered in the new project.

Moreover, for financial presentations in general, citizens believed that interactive tools like links or drill-down capability would allow them to progress from summary level information, such as information presented in financial statements, to more detailed or less aggregated data. Additionally, interactive tools could be used to define terms, provide explanations, or present disclosures. They also preferred to access the information using the Internet and preferred graphics over text. Lastly, citizens believed that text should be minimized (as indicated by the growing use of abbreviations like “HIG”).

### Conclusion

In general, users appear to expect financial and service performance information to help answer the “HIG” question and, ultimately, this information could be useful in determining strategies for addressing fiscal issues. Providing a comprehensive but integrated performance picture requires linking data that discusses – what

services we agreed to provide; what budgetary resources were available to provide those services; what costs were incurred providing the services; and what did we actually accomplish. The data could inform decision-makers about what programs have provided services in an efficient manner and what programs have been effective in achieving results. Also, although financial statements are designed to provide a high-level view of federal government-wide and agency level activity, advances in technology have increased expectations for tools to provide access to specialized information users may be seeking. Now, volumes of printed data can be provided in machine-readable form and the data accessed rapidly.

In light of user expectations for integrated financial and service performance information and the advancements in technology, FASAB is looking to enhance the federal reporting model by initiating projects to improve cost, service performance, and budgetary information in financial reports. The projects will be conducted concurrently so that progress in one can inform the others. While the broad issue of improving federal financial reporting is an ongoing FASAB responsibility, specifically focused projects such as these three are especially relevant during these times of fiscal challenge. ■

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### End Notes

1. FASAB Staff Issue Paper for April 2010, accessible at [www.fasab.gov/projects/active-projects/concepts-the-financial-report/](http://www.fasab.gov/projects/active-projects/concepts-the-financial-report/).

2. D. Andrew Austin and Mindy R. Levit, *Mandatory Spending Since 1962*, (Washington DC: Congressional Research Service, March 23, 2012).

3. *Ibid.*

4. Congressional Budget Office, *Budget Information - Mandatory*, April 17, 2012 accessible at [www.cbo.gov/publication/43154](http://www.cbo.gov/publication/43154).



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