



April 11, 2013

Memorandum

To: Members of the Board

From: Ross Simms, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: Reporting Model – **TAB A**<sup>1</sup>

### **MEETING OBJECTIVE**

The objectives of the meeting are to discuss the outline for an educational website to assist users in understanding agency financial reports.

### **BRIEFING MATERIALS**

The briefing materials include the following:

Attachment I: Outline of an Educational Website provides a view of the contents and structure of an educational website to assist users in understanding agency financial reports.

Appendix I: Draft Script for Homepage Video provides a draft of the script to be read along with the video presentation providing an overview of the website.

Appendix II: Major Agencies shows the textual content for the webpage showing major agencies.

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<sup>1</sup> 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

Appendix III: General Information provides the draft script to be read along with the video presentation on general information about agencies.

## **BACKGROUND**

During February 2013, FASAB reviewed a high-level framework for the educational website and an illustrative video. Members expressed concerns about the Board's limited resources and believed that other organizations, such as the Association of Government Accountants, may be able to assist staff in developing the content for the site. However, staff learned that, in general, other organizations could only serve in an advisory role. As a result, staff plans to ask other organizations to review the site to provide advice on whether it would facilitate a user's understanding.

To assist members in discussing what content should be presented on the site, staff developed an outline with the objectives for each potential topic (webpage). See Attachment I: Outline of an Educational Website.

## **MEMBER FEEDBACK**

If you require additional information, please contact staff as soon as possible. In most cases, staff would be able to respond to your request for information and prepare to discuss your suggestions with the Board, as needed, in advance of the meeting. If you have any questions or comments prior to the meeting, please contact me by telephone at (202) 512-2512 or by email at [simmsr@fasab.gov](mailto:simmsr@fasab.gov) with a cc to [paynew@fasab.gov](mailto:paynew@fasab.gov).

## **QUESTIONS FOR THE BOARD**

Attachment I presents the draft contents and structure of an educational website to assist users in understanding agency financial reports. When reviewing the draft, consider the following:

1. Are these the topics and web-based features you would expect a user to access on the website? If not, what changes would you suggest?
2. What additional information or web-based features do you believe should be offered?

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## **Outline of an Educational Website**

### **Purpose for Developing the Website**

FASAB serves the public interest by improving federal financial reporting. FASAB accomplishes this mission not only through issuing federal financial accounting standards, but also through providing guidance. Providing guidance helps ensure that users understand the message that financial reporting communicates, especially through periods of economic unease. In such times, financial information is vital for informing civic dialogue and planning the nation's future.

FASAB provides guidance after considering the information needs of users and users have expressed a need to better understand federal agency financial reports. They expect to answer key questions such as the cost of major programs and their financial condition. Consequently, FASAB is developing this website to help users better understand the financial reports of federal departments and agencies.

### **Domain Name**

guide2fedfinancials.gov

### **Intended Audience**

We expect that the general public would access the site.

### **Devices that would be used to Access the Site**

We expect users to access the site using mobile devices, tablet computers, desktops, and laptops.

### **Overall Site Structure**

See Outline.

### **Expected Launch Date**

November 15, 2013

## Outline of Website Content<sup>2</sup>

- I. **Home.** The objective of the home page is to greet users and provide information about the site. The page will include a brief animated video on agency financial reports. See a draft script for the video in Appendix I: Draft Script for Home Page Video.

In addition to tabs with links to other sections on the site, the homepage would feature links to information on the following topics. [Featured topics would be subject to change as needed.]

- a. **Major Agencies that Prepare Audited Financial Statements.** This will be a link to a webpage listing of major agencies with links to the agency financial reports. Similar to FASAB's present [Resources](#) page. See Appendix II: Major Agencies for an example.
- b. **Learn About...** This would be a "slideshow" presentation that shows just some of the topics that are presented on the website. Each slide will have a graphic that a user can click and review more detail on the subject. Individual slides can change depending on what may be the issue of the day. Examples include:
  - i. Where to find information on the cost of services
  - ii. Where to find information on how agencies execute their budgets
  - iii. Where to find information on the results of services and how well objectives were achieved

See the right column of <http://www.gao.gov/> or [U.S. Department of the Treasury](#) for examples of this feature.

- II. **Financial Reports.** The objective of this section would be to present key aspects of financial report contents to users. [Aspects could change as new issues or areas develop.]
  - a. **General Information about federal agencies.** The objective of this section is to provide some background information to inform the public about aspects of major federal agencies.
    - i. **Video Overview.** See Appendix III: General Information for script.
    - ii. **Important Concepts.** The objective of this section is to discuss some concepts considered in preparing financial reports. Each topic would be a menu item that a user could click and view the details, rather than a significant amount of text on a single

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<sup>2</sup> The outline presents an initial structure for the website. The website is not intended to be static; therefore, aspects can change to coincide with hot topics or issues that are of interest to users at the time.

webpage. The sources for this section could include FASAB Concepts and topics could include:

1. Difference from a profit-seeking entity. For instance, this section could include the following discussion.

For a competitive, profit-seeking entity, the value of its products or services is measured by the amount of money customers are willing to voluntarily pay for them. In this case, the entity reports on both the expenses (efforts) incurred and the revenue earned (accomplishments). For government, expenses reflect efforts, as it does in the private sector, but indicators other than revenue must be used to report on accomplishments. Thus, service performance information is an integral part of agency financial reports and is discussed in Management's discussion and analysis (MD&A) (hyper link this phrase to the MD&A section). The MD&A discusses the most important facets of the agency's service performance as well as the financial statements and supplementary information.

2. Bases of Accounting. The objective of this section is to help users understand the different measurement bases used. *Analytical Perspectives* and SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting* would be possible sources for the presentation.
3. Intragovernmental Transactions. Discusses the nature of intragovernmental transactions.
4. Fund Balance with Treasury. Discusses the nature of Fund Balance with Treasury.

- b. **Agency Management Discussion and Analysis.** The objective of this section is to discuss the purpose of the MD&A and the kinds of information one could expect to learn. Source for Contents: SFFAC 3, *Management's Discussion and Analysis*.

- i. Purpose of the MD&A (Presented using a brief video)

1. Provides an overview of the agency operations and informs you about how well the agency is doing. Review the MD&A to answer questions such as
  - a. What is the agency's organizational structure, mission, and strategic plan?
  - b. What did the agency accomplish?

- c. How well is the agency managing its programs?
- d. What caused the significant changes in key financial amounts from prior years?

ii. MD&A contents. Provide examples of the kinds of information a reader could review in an MD&A.

**c. Where Agencies Stand Financially**

The objective of this section will be to discuss financial information at a point in time, the end of the fiscal year. In general, the section will answer questions such as:

- What does an agency own?
- What does an agency owe?

A brief video will be used to provide an overview of this section which include the following topics.

i. Assets

1. Intragovernmental

2. Entity

a. Fund Balance, Investments, Receivables, PP&E

b. Heritage Assets

c. Stewardship Land

ii. Liabilities

1. Intragovernmental

2. Entity

iii. Difference Between Assets and Liabilities (Net Position)

1. Unexpended Appropriations

2. Cumulative Results

**d. Sustainability of Social Insurance Programs**

The objective of this section will be to inform users where they can obtain information on whether social insurance programs are sustainable as currently constructed. Because not all agencies have social insurance programs, this section will inform users of the particular agencies that prepare a Statement of Social Insurance and Statement of Changes in Social Insurance Amounts and discuss the statements.

**e. Net Cost of Agency Operations.** The objective of this section is to discuss the purpose of the statement of net cost and the information that users can expect to obtain. In general, the section will show how users can answer questions such as,

- i. What are the costs of an agency's operations?
- ii. What revenue did the agency's service generate (earned revenue)?
- iii. How much are the agency's costs supported by tax dollars?

An overview could be provided in a brief video and an excerpt of the video script is as follows...

Agencies track the full costs incurred in providing services. The full costs include the amounts paid, the cost of using supplies and materials, a portion of the original purchase cost of assets with long useful lives, such as buildings and equipment, and the incurrence of liabilities as a result of providing services during the year. Agencies present those costs in the statement of net cost.

Because each agency has a unique mission, they may classify their costs in different ways. Some may classify cost by strategic goal, while others may classify costs by sub-organization, or program or a combination of these.

Agencies also track the revenue they earn from providing certain services, such as selling electric power to public bodies and cooperatives. Earned revenues are subtracted from the full cost to provide the services and, if costs are greater than the revenue earned, the resulting figure represents a net cost to the government. In other words, the resulting figure presents the portion of agency's costs supported by tax dollars.

- f. **How Net Costs were financed.** Because agency services are generally financed by appropriations from Congress, rather than from earned revenue, this section will discuss the Statement of Changes in Net Position. This statement shows the manner in which the agency's net costs were financed and the resulting effect on the agency's net position or the difference between what it owns and what it owes.
- g. **How Agencies Execute Their Budget.** This section will discuss the Statement of Budgetary Resources, including:
  - i. Amounts Made Available for Agency Operations
    - 1. Sources
  - ii. Status of Budget Authority
    - 1. Obligations
    - 2. Outlays
- h. **Custodial Activity.** Some agencies function in a custodial capacity and collect funds for the government's use as appropriations. For example, the Internal Revenue Service collects taxes and the Department of

Interior collects mineral lease revenue. Custodial activity is presented in the Statement of Custodial Activity and this section will discuss the statement and assist users in learning:

- From whom are taxes and other funds for appropriations collected?
  - Who receives the funds collected?
- i. **Overview: How Agencies Performed in Providing Services.** The objective of this section would be to provide information on the efforts and accomplishments associated with federal programs.
- j. **Additional Resources for Users**
- i. Accounting Standards
  - ii. Office of Management and Budget
  - iii. Government Accountability Office
  - iv. Department of the Treasury
- k. **Contacts**
- i. Ask Questions
  - ii. FASAB

**Draft Script to be read as part of the Homepage Video**

[Pauses will be inserted to coincide with the timing of the animation.]

Federal agencies administer a range of services for the American public. They provide services such as healthcare insurance, medical research, national security and defense, benefits for veterans, education, and job training. Also, as part of their daily operations, they collect money; acquire other resources; and use money and other resources. So, they must keep track of their finances and prepare a report that demonstrates their stewardship and accounts for their activities. These financial reports are subject to audit by an independent certified public accountant and are made available to the public on agency websites.

The financial reports provide a review of an agency's major programmatic and financial results for the previous year. In the reports, you will find answers to questions such as

- What services did the agency provide?
- What did it cost to provide those services?
- What revenues did the services generate?
- How much of the costs of services were supported with tax dollars?
- How much was budgeted to provide the services?
- What does the agency own?
- What does the agency owe?

The management of the agency is required to provide a discussion and analysis in the report to assist you in understanding the information presented. Agency managers are knowledgeable about the various activities reflected in the report and the policies that govern their operations. Their discussion and analysis covers

- The agency's mission and organizational structure
- Goals, objectives, and performance results
- The adequacy of controls to ensure that certain objectives are being achieved such as the execution of transactions in accordance with laws and other requirement
- Risks and trends

You can also learn about:

- Challenges and opportunities facing the agency in the years ahead; and
- Management's efforts to meet those challenges and opportunities

Review the website [guide2fedfinancials.gov](http://guide2fedfinancials.gov) and it will guide you in finding answers to questions you may have about the finances of federal agencies.

Major Agencies that Prepare Financial Reports [Links and text are provided for some of the agencies to show how the page would look.]

This page contains links to financial reports of the U.S. government and major federal agencies.

## **Financial Report of the U.S. Government**

Summary Report to the Financial Report of the United States Government

Financial Report of the United States Government

## **Agency “Performance and Accountability Reports” or “Annual Reports”<sup>3</sup>**

[If possible, use an accordion menu format or tabs so that the text under each agency is not disclosed until the user clicks on the accordion or tab. See <http://ui-patterns.com/patterns/AccordionMenu> for an example]

Agriculture

<http://www.ocfo.usda.gov/usdarpt/usdarpt.htm>

We provide leadership on food, agriculture, natural resources, rural development, nutrition, and related issues based on sound public policy, the best available science, and efficient management.

Commerce

<http://www.osec.doc.gov/bmi/budget/>

The U.S. Department of Commerce promotes job creation, economic growth, sustainable development and improved standards of living for all Americans by working in partnership with businesses, universities, communities and our nation’s workers. The department touches the daily lives of the American people in many ways, with a wide range of responsibilities in the areas of trade, economic development, technology, entrepreneurship and business development, environmental stewardship, and statistical research and analysis.

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<sup>3</sup> The Office of Management and Budget prescribes the form and content of federal agency financial statements. The guidance is published annually in OMB Circular A-136 and the guidance permits agencies to either prepare a consolidated Performance and Accountability Report (PAR) or to prepare separate Agency Financial Report (AFR) and Annual Performance Report (APR).

Export-Import Bank

Farm Credit System Insurance Corporation

Federal Deposit Insurance Corporation

Justice

National Aeronautics and Space Administration

National Credit Union Administration

Nuclear Regulatory Commission

Pension Benefit Guaranty Corporation

Railroad Retirement Board

Securities and Exchange Commission

Smithsonian Institution

Social Security Administration

Tennessee Valley Authority

US Postal Service

Veterans Affairs

**“Agency Financial Reports” and “Annual Performance Reports”**

Defense

<http://comptroller.defense.gov/reports.html>

The mission of the Department of Defense is to provide the military forces needed to deter war and to protect the security of our country.

Education

<http://www2.ed.gov/about/reports/annual/index.html?src=ln>

The U.S. Department of Education's (the Department's) mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.

Energy

Environmental Protection Agency

Federal Communications Commission

General Services Administration

Health and Human Services

Homeland Security

Housing and Urban Development

Interior

Labor

National Science Foundation

Office of Personnel Management

Small Business Administration

State

Transportation

Treasury

US Agency for International Development

## **Draft Script for General Information about Federal Agencies**

Federal agency financial statements should be read with the realization that an agency is a component of the U.S. Government, a sovereign entity. This means that each agency has a specific mission which could include providing services for the American public, the federal government as whole, and services for other agencies. For example, the role of the Department of the Treasury is multifaceted. It administers programs that serve the American public and provides services on behalf of the federal government and other agencies. One program that it administers is the Making Homes Affordable Program. This program is intended to stabilize the U.S. housing market by helping home owners get mortgage relief and avoid foreclosure. The Department of the Treasury also manufactures the nation's coins and currency, collects taxes from citizens and corporations, services the federal debt, and disburses federal funds.

Other agencies that provide a centralized function for the federal government include the Office of Personnel Management, General Services Administration, and the Department of Justice. The Office of Personnel Management provides human resources support to federal agencies. The agency administers retirement benefits and services for all federal employees and assist agencies with hiring new employees. Also, the General Services Administration leases office space on the behalf of agencies and the U.S. Department of Justice provides litigation support.

Thus, an agency can have numerous responsibilities and may provide services for the public and/or other agencies. The Congress enacts legislation that authorizes an agency to carry out its duties and incur financial obligations that result in spending money or outlays. An agency can only use its authority for the purposes specified in the law.

Also, an agency may be comprised of various sub-organizations. For example, the Department of Homeland Security has the following sub-organizations:

- U.S. Customs and Border Protection
- U.S. Citizenship and Immigration Services
- U.S. Coast Guard
- Federal Emergency Management Agency
- U.S. Immigration and Customs Enforcement
- U.S. Secret Service
- Transportation Security Administration

As a result, there can be an enormous volume of financial activity with external parties, among agencies, and within a particular agency.

Other examples of federal agencies and their respective mission include:

**U. S. Department of Agriculture**

This agency provides leadership on food, agriculture, natural resources, rural development, nutrition, and related issues based on sound public policy, the best available science, and efficient management.

**U.S. Department of Defense**

Provides the military forces needed to deter war and to protect the security of our country.

**U.S. Department of Health and Human Services**

The U.S. government's principal agency for protecting the health of all Americans and providing essential human services, especially for those who are least able to help themselves.

**U.S. Social Security Administration**

Delivers social security services that meet the changing needs of the public

Given the range of services that agencies perform, they may provide different types of overall financial reports and a different set of financial statements. While all agencies provide financial and non-financial performance information, some may prepare an Agency Financial Report and Annual Performance Report and others may prepare a Performance and Accountability Report or Annual Report.

In addition, while all agencies prepare a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources, some may also prepare a Statement of Custodial Activities, Statement of Social Insurance, and Statement of Changes in Social Insurance Amounts. Preparation of the additional financial statements depends on the agency's mission and financial activities. The financial statements prepared and where to find information that may be of interest to you are discussed on this website.