



December 3, 2013

Memorandum

To: Members of the Board

From: Ross Simms, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: Reporting Model – **TAB D**¹

MEETING OBJECTIVES

With respect to Stewardship, the objectives of the meeting are to discuss: (1) what information users need versus what information generally accepted accounting principles (GAAP) require of the existing model; (2) whether there are needs that are not addressed (voids); and (3) whether the identified voids should be addressed by the ideal model.

The reporting model project involves two aspects: (1) what information users need; and (2) how to present or provide access to that information. The objectives for this meeting concentrate on the first aspect, what information users need, and the Board has developed four objectives of financial reporting which provide a framework for discussing this topic. Those four reporting objectives are Budgetary Integrity, Operating Performance, Stewardship, and Systems and Control and because each objective is broad and would require substantial time to discuss collectively, this meeting focuses on the Stewardship objective.

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

BRIEFING MATERIALS

Attachment I: User Needs: Stewardship Information provides a discussion on the Stewardship Objective of financial reporting, users' needs, and voids in the information required.

Attachment II: Task Force Discussion on the Ideal Model provides minutes of the task force discussion regarding features of an ideal reporting model. The task force discussed concerns with the existing model and key features that should be developed in an ideal model.

Appendix I: Impact of Communicating Information in Financial Reports explains why FASAB may require GAAP financial reports to communicate information that is already being provided through non-GAAP sources.

Appendix II: Federal Accounting Standards Relative to Stewardship lists and briefly discusses the federal accounting standards that contribute to the Stewardship objective.

BACKGROUND

The current objective of the reporting model project is to develop a conceptual (ideal) reporting model that integrates the information necessary for achieving the federal financial reporting objectives. Development of the model would not be constrained by considering existing systems and what the Board could accomplish immediately.

During the October 2013 meeting, the Board discussed the idea of building a web-based mockup of the ideal model to inform discussions and obtain user feedback. Consequently, the Board determined that additional information was needed at this stage of the project. Primarily, members believed that the project involves two aspects: (1) the what - what information should be provided given that there are different users with different information needs; and (2) the how - how should the information be presented, including the tools needed to provide access to the information. Members believed that it would be best to understand 'the what' aspect before developing 'the how.'

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 with a cc to paynew@fasab.gov.

QUESTIONS FOR THE BOARD

Attachment I: User Needs: Stewardship Information discusses the Stewardship Objective of financial reporting, users' needs, and voids in the information required. The following are questions FASAB staff would like to address that are relevant to the discussion:

1. The Stewardship objective is a part of a framework that reflects the federal environment and the broad financial information needs of users. Also, it should help the Board determine how new accounting standards might enhance accountability and decision-making. Although FASAB developed the Stewardship objective in the early 90s, the Board revisited it in 2006 and determined that the objective continued to reflect users' financial information needs. Do you agree or disagree that the Stewardship objective remains valid today?
2. If you disagree that the Stewardship objective remains valid (reflects users' financial information needs today), how should it be revised?
3. The Board considers whether items of information should be communicated in financial reports and may require financial reports to communicate information that is already being provided through non-GAAP sources.² The Stewardship objective involves a wide range of information, including information that may not be within the Board's domain, such as national outcomes and economic indicators. However, the Board did not segment the objective into aspects that might be best achieved by GAAP and aspects that might be best achieved by non-GAAP sources.

Attachment I discusses the following information needs reflected in the Stewardship objective that are not being addressed through FASAB standards:

- a. Tax Expenditures
- b. Communicating whether the federal government contributed to the nation's current and future well-being
- c. Risk Exposure/Assumed

Do you agree or disagree these three information needs are not being addressed by GAAP reporting (voids)?

4. If you believe voids exist, do you agree or disagree that at least the three voids discussed in Attachment I should be addressed by the ideal model?

² See Appendix I: Impact of Communicating Information in Financial Reports for an explanation on why FASAB may require financial reports to communicate information that is already being provided through non-GAAP sources.

5. Are there other information needs (voids) reflected in the Stewardship objective that should be addressed by the ideal model?

Contents

MEETING OBJECTIVES.....	1
BRIEFING MATERIALS	2
MEMBER FEEDBACK	2
QUESTIONS FOR THE BOARD.....	3
ATTACHMENT I: USER NEEDS: STEWARDSHIP INFORMATION	9
Objectives of this Discussion	9
Scope	9
Users' Needs: The Basis for the Stewardship Objective.....	9
FASAB Staff Review of the Stewardship Objective	11
Stewardship Information Users Seek Today.....	14
How Users' Stewardship Information Needs are being Addressed in the Existing Model.....	17
Possible Stewardship Voids: User Demands for Stewardship Information that are not being addressed by the Requirements of the Existing Model	21
1. Tax Expenditures	21
2. Communicating Whether the Federal Government Contributed to the Nation's Current and Future Well-Being.....	22
3. Risk Exposure/Assumed.....	24
ATTACHMENT II: TASK FORCE DISCUSSION ON THE IDEAL MODEL	27
APPENDIX I: IMPACT OF COMMUNICATING INFORMATION IN FINANCIAL REPORTS.....	43
APPENDIX II: FEDERAL ACCOUNTING STANDARDS RELATIVE TO STEWARDSHIP	47

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ATTACHMENT I

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ATTACHMENT I: USER NEEDS: STEWARDSHIP INFORMATION

Objectives of this Discussion

With respect to Stewardship information, the objective of this discussion is to: (1) compare what information users need and expect to be addressed in financial reports to what information GAAP requires; and (2) determine whether there are needs that are not addressed (voids). Also, if voids exist, assess whether the voids should be fulfilled by the ideal model.

Scope

This discussion focuses on what Stewardship information users need and should be provided in financial reports prepared in conformity with GAAP. It is not intended to discuss how well reporting entities are addressing the intent of relevant FASAB standards. Also, how information should be presented and the tools that enable access will be discussed later. For example, whether users would benefit from better structuring the information so that they can understand the presentation and answer their questions readily is not a focus of this particular discussion.

Users' Needs: The Basis for the Stewardship Objective

The Chief Financial Officers Act of 1990 sought to improve federal accountability through financial management reform. The Act, as amended by the Government Management Reform Act of 1994, requires annual, audited financial statements for the U.S. Government and its component entities. Also, the Act requires the development of integrated agency accounting and financial management systems, including financial reporting and internal controls, which comply with applicable accounting principles, standards, and requirements, and internal control standards.³

The American Institute of Certified Public Accountants (AICPA) designated FASAB as the source of GAAP for federal reporting entities⁴ and FASAB develops the 'applicable accounting principles' that guide the preparation of the financial statements and the development of accounting and financial management systems and controls.⁵ Also, because financial statements prepared in conformity with GAAP are essential for public accountability, FASAB supports developing financial reports that are useful for assessing: the government's accountability and its efficiency and effectiveness; and the economic, political, and social consequences, whether positive or negative, of the allocation and various uses of federal resources.⁶

³ *FASAB Facts*, September 2012, p.1.

⁴ Statement of Federal Financial Accounting Standards (SFFAS) 34: *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, p.1.

⁵ *FASAB Facts*, September 2012, p.1.

⁶ *Ibid*, p.2.

In developing standards, FASAB considers the information needs of Citizens, Congress, executives, and program managers. Although some managerial information needs may require more detailed and timely information than offered by annual financial reports, the data from integrated systems and internal controls designed to comply with FASAB standards can be used to prepare more detailed and timely reports.

FASAB developed Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*, to discuss the information that Citizens, Congress, executives, and program managers sought in the early 1990's. The guidance notes that these users need information to "assess the effect of the government's activities on its financial condition and that of the nation. Information is needed about the financial outlook for both the short and the long term."⁷ SFFAC 1, paragraphs 100 to 102, provides the following details on the information needed:

100. Information is needed on the government's exposure and risks associated with deposit insurance, pension insurance, and flood insurance. People need to know about likely future expenditures for cleaning up nuclear weapons sites and military bases. They want information that will help them assess the likelihood and amount of future claims that might arise from government-sponsored enterprises.
101. All users need information on earmarked revenues recorded in trust funds. They want to know, for example, whether the Social Security Trust funds are likely, in the foreseeable future, to need infusions of new taxes to pay benefits. Citizens need to know the implications of investing trust fund revenues in government securities.
102. Users also need trend information on spending on investments in physical and human capital versus spending on consumption.

FASAB recognized that users' needs are diverse, but determined that these information needs should be considered in the Stewardship objective of financial reporting. The Stewardship reporting objective is based on "the federal government's responsibility for the general welfare of the nation in perpetuity"⁸ and focuses on the requirement that "the government report the broad outcomes of its actions."⁹ The complete objective states that

Federal financial reporting should assist report users in assessing the impact on the country of the government's operations and investments for the period and how, as a result, the government's and the nation's financial conditions have changed and may change in the future.¹⁰

⁷ SFFAC 1, par. 99.

⁸ SFFAC 1, par. 135.

⁹ Ibid.

¹⁰ SFFAC 1, par. 15.

Federal financial reporting should provide information that helps the reader to determine whether

- A. the government's financial position improved or deteriorated over the period,
- B. future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due, and
- C. government operations have contributed to the nation's current and future well-being.¹¹

Thus, the Stewardship objective is a part of the framework for determining what accounting standards may be needed to inform Citizens, Congress, Executives, and Managers. It requires informing these users about the government as a whole and its responsibility for: 1) its own assets and liabilities and ongoing operations; and 2) the nation's current and future well-being.

FASAB Staff Review of the Stewardship Objective

Given that the reporting objectives reflect the information that users need, but were developed in 1993, FASAB staff conducted a series of roundtable discussions to evaluate the reporting objectives and determine if they remained valid and appropriate and sought to determine whether additional objectives are needed. Also, the discussions would help define FASAB's role in achieving the objectives. The roundtables involved participants with experience in each of the objectives and they all agreed that the reporting objectives were broad and remained valid. In addition, although the roundtable members did not believe that FASAB should eliminate an objective or add others, they did note voids or areas where the objective could be better achieved. Accordingly, in 2006, the Board reviewed the staff research and agreed to retain the broad objectives of reporting and to articulate its role in relation to those objectives in a strategic directions document.¹²

With respect to the Stewardship objective, participants noted the following:

the stewardship objective fundamentally demonstrates what differentiates federal financial reporting from corporate or even state and local government. The federal government can affect the economy and can make commitments that do not have to be balanced, but that must take account of their sustainability in the context of the health of the economy.

stewardship should be the focus of the consolidated report of the Federal Government, rather than the traditional financial information.

¹¹ SFFAC 1, par. 16.

¹² <http://www.fasab.gov/projects/archived-projects/concepts-objectives/>, accessed November 5, 2013.

the objective is about the government as a whole, which is big and does so many things that it affects the sustainability of the nation.

the government as a whole and the nation is what is so much broader about the stewardship objective than traditional accounting objectives.

in the context of stewardship reporting, the government is at a point where there needs to be a more focused look with regard to what information should be published to report on these promises....stewardship should be trying to measure whether the government maintained its promises and how well the government managed the assets to support making the promises.¹³

Roundtable members also noted that the Stewardship objective encouraged the development of information that did not previously exist¹⁴ and that sustainability pertains to the government broadly rather than a specific program.¹⁵

FASAB staff agrees that the Stewardship objective focuses on the government as whole. This view is evident when the objective is compared to the Operating Performance objective. The Operating Performance objective discusses assisting users in evaluating the service efforts, costs, and accomplishments of the *reporting entity* while the Stewardship objective discusses assisting users in assessing the *government's* operations and financial condition. In addition, as noted earlier, SFFAC 1, par. 135 states, "This objective is based on the federal government's responsibility for the general welfare of the nation in perpetuity. It focuses not on the provision of specific services but on the requirement that the government report the broad outcomes of its actions..."

Given the focus on the government as a whole, the participants appeared to focus on the need for information to help users determine the government's impact on the nation. For instance, they noted that stewardship involves measuring "whether the government maintained its promises and how well the government managed the assets to support making the promises."¹⁶ They also noted that there is a strong interest in key national and economic indicators.¹⁷

However, the roundtable participants believed that much of the information necessary to achieve the Stewardship objective is outside of the Board's domain. The wealth of the nation involves more than the federal government and requires information from the National Income and Product Accounts, Flow of Funds Balance Sheets, and data on investments in education and research and development. The participants believed that FASAB could instead focus on concepts that fairly present the financial condition of the Federal government and on sustainability and accounting standards that: are complementary and help in analyzing financial condition; and support

¹³ Staff Issue Paper, Conceptual Project – Objectives Phase TAB A, March 10, 2006, Tab 1, pp.3-4.

¹⁴ Ibid, p. 3.

¹⁵ Ibid, p. 6.

¹⁶ Ibid. p.4.

¹⁷ Ibid, p.10.

transparency and data validity.¹⁸ Also, the participants stressed that it is “extremely” difficult to determine how the government’s operations contribute to the nation’s well-being because there may not be a direct cause and effect relationship. For instance, simply because the government invests in military assets and there are no deferred maintenance issues does not necessarily mean that the military would be prepared to address the next threat.¹⁹

Analytical Perspectives, Budget of the United States Government, Fiscal Year 2014 is an example of a report, outside of FASAB’s domain, that contributes to the Stewardship objective. The report provides the following information:

- economic and accounting analyses;
- information on Federal receipts and collections;
- analyses of Federal spending;
- information on Federal borrowing and debt;
- baseline or current services estimates; and
- other technical presentations, such as Federal aid to states and localities.²⁰

In addition, the report provides a table of social indicators that, in broad terms, provide an indication of “how the nation is faring in selected areas in which the Federal Government has significant responsibilities.”²¹ The table includes economic, demographic and civic, socioeconomic, health, security and safety, and environment and energy indicators.²²

FASAB acknowledged that “financial condition” is broad and requires projections and economic information. SFFAC 1 discusses that “financial condition” is a broader and more forward-looking concept than “financial position” presented in a balance sheet. In addition to information on the government, reporting on financial condition requires information about the national economy and society. Accordingly, financial position, measured on an accrual basis, would need to be supplemented with additional information to report on financial condition.²³

Although financial condition reporting would involve data about the national economy and society, FASAB has noted that, “to report on some aspects of the government’s performance and stewardship, economic and other information about the national society is essential.”²⁴ Consequently, the Board may consider whether economic and

¹⁸ Ibid, p.4.

¹⁹ Ibid, p.15.

²⁰ http://www.whitehouse.gov/omb/budget/Analytical_Perspectives, accessed November 8, 2013.

²¹ *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2014*, p. 79.

²² Ibid, pp. 79-81.

²³ SFFAC 1, par. 144-145.

²⁴ SFFAC 1, par. 42.

other information about the nation's well-being should be included in financial reports such as the CFR.

In conclusion, the Stewardship objective remains valid but there are voids in achieving it through the existing reporting model. In particular, the model does not require information such as economic indicators and information on national wealth to help users determine whether the government contributed to nation's current and future well being. Although Stewardship roundtable participants noted that much of the information needed to achieve the Stewardship objective and meet users' demands is outside of FASAB's domain, the information may be needed to help GAAP report users to fully understand the breadth of the federal government's actions and, ultimately, its impact on the nation.

Stewardship Information Users Seek Today

Although users expressed difficulty in understanding information in financial reports,²⁵ they continue to ask the same type of questions that FASAB observed in the early 90s, but expect more details in the response. The federal government continues to perform activities such as advancing national and economic security, protecting the health of Americans, and promoting education and scientific innovations. However, the complexity of the federal government's commitments has grown and become increasingly intertwined with private financial transactions in the broader economy. For example, in 2008, the government created the Troubled Asset Relief Program (TARP) initiative to "restore the nation's financial stability and restart economic growth."²⁶ The initiative involved several programs including: an asset guarantee program; programs designed to stimulate consumer and business lending; financial support for companies; and programs to aid homeowners at risk of foreclosure.²⁷ These activities are intended to impact the nation's economy and could do so for several years. Consequently, the public expects financial reporting to account for the government's actions and its impact on the national economy and society.

With respect to Stewardship reporting, users expressed interest in several items of information. Although executives and managers generally sought budgetary and service performance information, citizen survey respondents wanted to know about the government's assets and liabilities. They also demonstrated a strong interest in program level information and matters such as who owed the federal government, from whom did the federal government borrow, and where did funds ultimately go. In addition, multiple respondents sought to know about the level of debt, its changes over time, and the reason for the changes. Congress shared interest in particular programs and receives reports on this information, along with responses to requests for a diversity of detailed items such as information on insurance program losses. Table 1:

²⁵ During focus group discussions and interviews, FASAB staff observed that citizens, executives, and managers believed that financial reports were intended for accountants or economists.

²⁶ <http://www.treasury.gov/initiatives/financial-stability/about-tarp/Pages/default.aspx>, accessed November 20, 2013.

²⁷ Congressional Research Service, *Troubled Asset Relief Program (TARP): Implementation and Status*, R41427, September 2013.

Information Sought or Question Asked provides examples of the information sought or questions asked relevant to Stewardship.

Table 1: Information Sought or Question Asked

Information Sought or Question Asked
<p>Information about assets of the federal government is very important. Particular items sought include:</p> <ul style="list-style-type: none"> • who are the loan recipients • why is money being loaned to foreign countries
<p>Information about liabilities of the federal government is very important. Particular items sought include:</p> <ul style="list-style-type: none"> • Detailed information on the national debt, interest on debt, and the growth or decline of the debt [over time]. • How much we owe and to whom • How much we owe foreign countries, specifically, China, and whether debt owed to foreign countries has been repaid. • Explain why debt was incurred.
<p>Overall financial information about individual departments and agencies is very important. It was noted that</p> <p style="padding-left: 40px;">“Every branch of the government should have a monthly report made available to the public through the library or [other means]”</p>
<p>A standard balance sheet is needed.</p>
<p>Where is our tax money going?</p>
<p>What are [they] doing with their employees regarding (retirement and other benefit) funds?</p>
<p>Explain how the government operates [what does it do]. In particular:</p> <ul style="list-style-type: none"> • What is the origin of its programs, why were the various programs created, what are they trying to achieve? • How effective are the programs at achieving their intended purpose, is there confusion over roles, counter productivity?

Information Sought or Question Asked
<ul style="list-style-type: none"> • Information on the results of federal programs is very important. • Where does the money that is provided to the programs ultimately go, who receives the funds, including what countries are receiving aid?
Underlying assumptions on the growth of the economy
How would future goals and objectives be accomplished? Also, while explaining how to meet those goals, discuss the overall effects on the country.
Financial condition information is important, in particular, <ul style="list-style-type: none"> • Social security • healthcare
How well are current funding levels addressing the most urgent deferred maintenance?

The information being sought or questions asked include broad items, such as how the government’s future goals and objectives affect the country, and shows an expectation for access to details. The expectation for details demonstrates a keen interest in better understanding the government’s activities and holding officials accountable. This perception also appears in the tone of comments associated with participant responses. For example, when noting that the government should discuss the effect of its activities on the country, the participant noted that the discussion should employ graphics and “explain this so that a child in the third grade could understand.” Obtaining understandable financial information would enable users to participate in the democratic process and engage in discussions about the nation’s finances.²⁸

Interestingly, although our inquiries focused on expectations of financial reports, participants raised areas that were not within the domain of traditional financial reporting. For instance, participants sought to know about program goals and whether they are being achieved and their effects on the country. Also, there was concern about the government’s impact on the country in the future.

²⁸ FASAB Staff Issue Paper, Reporting Model, April 2010.

How Users' Stewardship Information Needs are being Addressed in the Existing Model²⁹

While the reporting model for component reporting entities provides information that contributes to the Stewardship objective, Stewardship primarily requires government-wide information. The consolidated financial report (CFR) of the U.S. government provides government-wide information in constructs such as financial statements, disclosures, and RSI that contribute to achieving the Stewardship objective. The following discussion explains the CFR components that contribute to overall objective and the three sub-objectives.

Overall

Federal financial reporting should assist report users in assessing the impact on the country of the government's operations and investments for the period and how, as a result, the government's and the nation's financial condition has changed and may change in the future.

Conceptually, Management's Discussion and Analysis (MD&A) is one of the most important sources for conveying information on financial condition.³⁰ In the MD&A for the CFR management explains the significance of key amounts, changes in the amounts, and the cause of changes. In particular, management:

- Explains why changes occurred and what they imply for the program's operation.
- Explains how costs and commitments incurred during the period were or will be financed.
- Describes important existing and currently-known demands, risks, uncertainties, events, and conditions—both favorable and unfavorable—that affect the amounts reported in the basic financial statements. The discussion should go beyond a mere description of existing conditions and should encompass the possible future effects of anticipated future events, conditions, and trends regarding social insurance programs.
- Where appropriate, the description of possible future effects of both existing and anticipated factors should include quantitative forecasts or projections.³¹

²⁹ Because the focus of the discussion is on what information is required to be presented to help achieve the Stewardship objective, the discussion does not elaborate on how the information is being presented and whether it is presented in an understandable manner for non-accountants. Accordingly, examples of financial statements and disclosures are not provided.

³⁰ SFFAC 1, par. 181,

³¹ SFFAS 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements*, par. 23.

The MD&A also includes a table presenting and explaining the following key measures

- Net costs
- Total revenue and net operating costs
- Total assets
- Total liabilities
- Net position
- The open group measure; the entity should discuss the closed group measure in the narrative and explain how it differs from the open group measure and the significance of the difference
- The change in the open group measure during the reporting period(s)
- Total unified budget deficit or surplus
- The net present value of the excess of spending over receipts.³²

Also, the CFR basic financial statements provide audited information on revenue, costs, assets, liabilities, and net position and the Stewardship section provides information on heritage assets and investments in education and research and development.

Sub-objective A

Federal financial reporting should provide information that helps the reader to determine whether the government's financial position improved or deteriorated over the period.

The CFR Statement of Operations and Changes in Net Position shows the financial results of the federal government's annual operations (the extent the revenues covers net costs) and the effect these results have on the federal government's net position (the difference between its assets and liabilities). Also, the balance sheet shows the nature and amount of the government's assets and liabilities and the difference between these two items as of year-end.

Sub-objective B

Federal financial reporting should provide information that helps the reader to determine whether future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due.

³² Ibid, par. 24.

The existing model uses the MD&A, basic financial statements, and supplementary information to achieve this sub-objective. The CFR MD&A should address the future effects of current demands, risks, uncertainties, events, conditions and trends. The discussion of current factors should go beyond a mere description of existing conditions, such as demographic characteristics, claims, deferred maintenance, commitments undertaken, and major unfunded liabilities, to include a discussion of the possible future effect of those factors.³³ Also, the CFR Balance Sheet provides information on the federal government's overall financial position - its assets (what it owns), its liabilities (what it owes), and the difference between the two (its net position) as of year-end. In addition, for all activities of the federal government, a statement will show³⁴

- the present value of projected receipts and non-interest spending under current policy without change,
- the relationship of these amounts to projected Gross Domestic Product (GDP), and
- changes in the present value of projected receipts and non-interest spending from the prior year.

Another basic statement, the Statement of Social Insurance, provides information on how much more money would be needed, in today's dollars, for the federal government's social insurance programs to continue to operate over the long term as they are currently structured and the Statement of Changes in Social Insurance Amounts would help explain the reasons for changes during the reporting period in the open group measure reported on the Statement of Social Insurance.

Required supplementary information (RSI) provides additional information about the government's finances that may affect future operations, such as:

- For social insurance programs,
 - long-range cashflow projections in nominal dollars and as a percentage of (a) the payroll that is subject to the tax earmarked for the program and (b) the GDP;
 - long-range projection of the ratio of contributors to beneficiaries ("dependency ratio"), showing the long-range relationship between program beneficiaries and contributors; and
 - analysis of the sensitivity of the projections to changes in assumptions
- For all activities of the federal government,

³³ SFFAC 3, par. 32.

³⁴ The statement is currently presented as RSI, but will become a basic statement for reporting periods beginning after September 30, 2013.

- the projected trends in: (1) the relationship between receipts and spending, (2) deficits or surpluses, and (3) Treasury debt held by the public as a share of GDP;
- possible results using alternative scenarios, and
- the likely impact of delaying corrective action when a fiscal gap exists.
- Additional information includes
 - the estimated costs of deferred maintenance
 - state by state solvency analysis for the unemployment insurance program.

Sub-objective C

Federal financial reporting should provide information that helps the reader to determine whether government operations have contributed to the nation's current and future well-being.

In addition to the previously discussed items that provide information on the federal government's operations and financial condition, the existing model provides items that inform readers about the government's contributions to the nation's current and future well-being. Those items are discussed below.

- Regarding heritage assets and stewardship land, disclosures including a description of major categories, physical unit information for the end of the reporting period, physical units added and withdrawn during the year, a description of the methods of acquisition and withdrawal, and condition information. The CFR provides a general discussion of heritage assets and stewardship land and directs users to applicable component statements for detailed information.
- For federal insurance and guarantee programs (except life insurance and loan guarantee programs), expected losses that are based on risk inherent in the insurance and guarantee coverage in force presented as RSI.
- Required supplementary stewardship information (RSSI) discusses stewardship investments, items the government considers investments in the future of the nation.³⁵ It includes grants for construction and major renovation of state and local government property (bridges and roads), and costs incurred

³⁵ FASAB developed the RSSI category in response to the unique federal financial reporting environment. The Board intended that the Government Accountability Office and the Office of Management and Budget would define a level of auditor involvement greater than applied to RSI but less than applied to basic information. However, that level was not defined and the Board began re-categorizing RSSI items through a series of standards. Consequently, stewardship investments are the remaining items of RSSI.

for education and training (human capital) programs intended to increase or maintain economic productive capacity and research and development programs. The information includes a description of these programs and investment trends.

Appendix II, Federal Accounting Standards Relative to Stewardship, provides an overview of FASAB standards relevant to the stewardship objective.

Possible Stewardship Voids: User Demands for Stewardship Information that are not being addressed by the Requirements of the Existing Model

This section discusses possible voids in the Stewardship information being required of financial reports. The narratives provide a high-level perspective to facilitate Board discussion and are not intended to be exhaustive. Also, the items are not presented in any order and do not discuss 'how' the information should be presented.

1. Tax Expenditures

Tax expenditure information is needed to assist users in assessing the government's stewardship. The Stewardship objective requires information on the broad outcomes of the government's actions and information that helps readers determine whether government operations have contributed to the nation's current and future well-being. Accomplishing this objective requires describing the full scope of the federal government's actions. This requires information on policy decisions made through spending programs as well as tax expenditure programs. However, existing accounting standards do not require information on policy decisions made through tax expenditures and their implications. Integrating this information in financial reports would help achieve the Stewardship objective.

Users seek to understand the full activities of the federal government. They ask questions such as:

- Why is money being loaned to foreign countries?
- What is the origin of its programs, why were the various programs created, what are they trying to achieve?
- How effective are the programs at achieving their intended purpose, is there confusion over roles, counter productivity?

Accordingly, they need to understand federal goals and achievements through all types of programs regardless of whether the program involves direct expenditures or selective provisions implemented through the federal tax code. Similar to programs involving direct expenditures, the tax code includes provisions that are exceptions to the "normal structure" of individual and corporate income tax necessary to collect

federal revenue.³⁶ They are intended to achieve public policy goals by providing benefits to qualifying individuals or entities or by encouraging particular activities. They may take the form of exclusions, exemptions, deductions, deferrals, credits, and preferential tax rates.³⁷ These provisions are considered tax expenditures and the Government Accountability Office notes that

Just like spending programs, tax expenditures, if well-designed and implemented, can be an effective tool to achieve federal goals, such as encouraging economic development in disadvantaged areas, financing postsecondary education, and stimulating basic research and development. However, their success in achieving these goals may be measured and assessed less often than that of other programs with similar goals.³⁸

A full view of federal activities would help users better monitor the government's stewardship; assess the range of policy choices available for consideration during budget deliberations; assess the level of resources being allocated to specific programs and their impact; identify and access programs with similar goals.

2. Communicating Whether the Federal Government Contributed to the Nation's Current and Future Well-Being

Users seek to know whether the federal government has impacted the nation's current and future well-being. The Stewardship sub-objective C discusses the demand for information on the financial condition of the federal government and the nation. It states that "Federal financial reporting should provide information that helps the reader to determine whether government operations have contributed to the nation's current and future well-being."³⁹ While FASAB has developed several requirements that contribute to achieving the objective, the requirements primarily focus on providing information regarding the financial condition of the federal government rather than the condition of both the government and the nation and how the federal government's policies and operations has impacted the nation. Information to address those issues would be needed to achieve the sub-objective.

FASAB explained that Stewardship sub-objective C concerns reporting on financial condition and reporting on financial condition requires "financial and nonfinancial information about the national economy and society, as well as about the government itself."⁴⁰ The existing reporting model includes various requirements for reporting on the government's operations and sustainability of programs. For example, SFFAS 36 requires a basic statement that presents the present value of projected receipts and non-interest spending under current policy without change. However, the Board noted

³⁶ Government Accountability Office, *Tax Expenditures: Background and Evaluation Criteria and Questions*, GAO-13-167SP.

³⁷ Ibid.

³⁸ http://www.gao.gov/key_issues/tax_expenditures/issue_summary, accessed November 26, 2013.

³⁹ SFFAC 1, par. 143.

⁴⁰ SFFAC 1, par. 144.

that the information requirements primarily relate to the federal government's operations and financial condition rather than the nation's financial condition.⁴¹

Also, FASAB has developed requirements for reporting on stewardship investments - investments in nonfederal physical property, such as physical property owned by states and local governments, human capital, and research and development. However, the information focuses on the operations and financial condition of the government rather than providing an indicator of the nation's current and future well-being and the government's contribution.

Achieving the sub-objective C would likely require integrating broad measures that inform users of the nation's well-being and participants in our research confirmed that such measures are needed today. When discussing their views on the content of a government financial report, they noted the need for information about how the government impacts the nation. For example, participants asked the following:

- How would future goals and objectives be accomplished?
- Also, while explaining how to meet those goals, discuss the overall effects on the country.

The continued need for information related to sub-objective C was also evident during focus group discussions. When participants reviewed financial information about a federal initiative, they sought information regarding whether the program accomplished its goal and what was the impact. For example, when reviewing financial information on the American Recovery and Reinvestment Act of 2009, participants sought information on employment trends because they believed its intent was to create jobs. Users likely sought this information because, as noted in SFFAC 1, the federal government has the power to control many facets of the national economy and society⁴² and has a continuing responsibility for the nation's welfare.⁴³

In addition, the need for information on the impact of national initiatives is reflected in legislation. For example, the GPRA Modernization Act of 2010 requires the development of long-term, outcome-oriented goals for a limited number of crosscutting policy areas⁴⁴ and reducing energy intensity is one priority goal initiated in 2010. The goal is an effort to gradually reduce the total energy consumed in the United States through 2035.⁴⁵ Also, FASAB's Reporting Model Task Force recommended reporting government-wide performance information to help users assess the impact of alternative courses of action; the economy and efficiency of government operations; and the government's effectiveness in attaining planned goals.⁴⁶

⁴¹ SFFAS 36, par. 4.

⁴² SFFAC 1, par. 50.

⁴³ SFFAC 1, par. 53.

⁴⁴ Public Law 111-352.

⁴⁵ http://goals.performance.gov/goals_2013, accessed November 27, 2013.

⁴⁶ Report of the Reporting Model Task Force, December 2010,

Consequently, integrating national economic and social indicators would help achieve the Stewardship objective. Given the federal government's broad responsibilities, key, broad indicators would help users in assessing how well those responsibilities are being achieved; inform discussions about where to allocate resources; help determine what initiatives are working as intended with the resources provided; help determine whether progress is being made in achieving planned goals and objectives; and help identify potential challenges that may develop in the future.

3. Risk Exposure/Assumed

Information about projected future responsibilities and resources is needed. Users expressed interest in the liabilities of the federal government and trends in debt accumulation. They were also concerned about the financial condition of programs, particularly social insurance programs. Stewardship sub-objective B states that "Federal financial reporting should provide information that helps the reader to determine whether future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due." Information relevant to this objective could include risks from government initiatives such as deposit insurance and disaster relief.

Existing requirements include reporting on risks related to insurance contracts and explicit guarantees, deferred maintenance, and long-term projections regarding social insurance. However, other exposures presented by the government's activities to provide for the welfare of the nation could be considered. Currently, the Board has initiated a risk assumed project to help ensure that the federal government reports on all significant risks assumed.

ATTACHMENT II

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ATTACHMENT II: TASK FORCE DISCUSSION ON THE IDEAL MODEL

Ideal Financial Reporting Model Summary of Discussion September 13, 2013

Purpose

The objective of the discussion was to identify fundamental features of an ideal financial reporting model, including its content and presentation.

Date and Time

September 13, 2013; 9:00 am to 11:00 am

Location

441 G St NW Room 7B16
Washington DC 20548

Attendees

Scott Bell, Senior Staff Accountant, Department of the Treasury
Malena Brookshire, Branch Chief, Securities and Exchange Commission
Ann Davis, Senior Staff Accountant, Department of the Treasury
Jason Fichtner, Senior Research Fellow, Mercatus Center at George Mason University
Doug Glenn, Deputy Chief Financial Officer, Department of Interior
Pat Healy, Executive Director, CGI
Carrie Hug, Director of Accountability, Recovery Accountability and Transparency Board
Regina Kearney, Senior Advisor, Office of Management and Budget (OMB)
Alice Siempelkamp, Director, Web Operations, Recovery Accountability and Transparency Board

FASAB Staff

Wendy Payne, Executive Director
Ross Simms, Assistant Director

Background

FASAB initiated the project to determine the ideal model for integrating financial and non-financial performance information so that the Board and the financial reporting community will have a framework to guide future efforts. Based on surveys, interviews, and focus group discussions, FASAB staff determined that users seek budget, financial, and service performance information and confirmed that the four federal financial reporting objectives remain relevant today.⁴⁷ The financial reporting objectives reflect the information needs of users and provide a framework for evaluating accountability and financial reporting systems.⁴⁸

There are two levels of reporting in the federal government: the federal government as a whole and its components. While current discussions involve the component level, the project will ultimately consider both levels. The end-product for the project will be conceptual guidance that delineates the ideal reporting model and guides the Board in developing standards.

Discussion

The participants discussed background information with respect to the project and clarified that the project would consider content with respect to achieving the reporting objectives and how that content should be presented. Also, the participants discussed concerns with the existing model and options for an ideal model. Concerns included the following:

- Financial reports contain substantial information, beyond financial statements, but the perception is that financial reports are not being read.
- It has been 20 years since FASAB noted that users expected information about federal programs, including their performance; however, meeting that expectation has yet to be achieved.
- Users do not understand what the federal government does. Currently, the federal government organizes numerous programs into constructs called departments and agencies. However, a report on an agency does not provide adequate information about the many programs. A contextual framework that facilitates user understanding is needed.
- Currently, management's discussion and analysis (MD&A) is intended to integrate data and provide context to facilitate the users' understanding of information presented in an agency's financial report. In an electronic environment where data is highly interconnected or linked and each agency is unique, what would be the role of an MD&A?

⁴⁷ The four federal financial reporting objectives are discussed in Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Federal Financial Reporting Objectives*.

⁴⁸ SFFAC 1, par. 109.

In addition, the participants discussed a high-level view of an ideal reporting model and noted that a federal data warehouse could be built to collect and provide access to data in a user-friendly manner. The data warehouse does not need to be an enormous physical data warehouse. Rather, new technologies such as those used in cloud computing and big data can enable “virtual” data warehouses that will allow the data to be accessed and maintained by the original data owners, yet used across the federal programs and entities. Also, given the broad reporting objectives and the expectation for understandable information about programs, the data warehouse would provide audited and unaudited data and permit customized reports. Moreover, the participants discussed what would be some of the most important features of this model. Details of the discussion follow.

Concerns with the Existing Reporting Model – Financial Reports not being Read

An accountant’s job is to provide timely and useful information. Agencies are providing timely information by providing financial reports 45 days after the end of the fiscal year. However, the concern is whether the information is useful because the reports are not being read. The federal government produces a vast amount of information but it is not being provided in an understandable format.

Agency financial statements have driven substantial gains in internal control and data integrity. However, internal control and data integrity could be preserved through other means and a participant noted that trial balance audits could be conducted. Thus, it may not be cost effective to continue the preparation and audit of financial statements when the statements are not read and there are alternatives to maintaining internal control and data integrity.

The lack of public awareness may contribute to the lack of readership. The general public is not aware that the federal government presents financial statements⁴⁹ and steps would need to be undertaken to ensure that the public is aware of the information, regardless of the model provided. Also, users may not understand the information as presented - tables with text and numbers rather than pictures. In addition, financial statements differ from other reporting in that entities prepare financial statements in conformity with generally accepted accounting principles and the information is audited. However, financial statements do not explain what the government is doing, its programs, objectives, results, etc.⁵⁰

⁴⁹ FASAB staff focus group discussions confirmed that citizens were not aware that the federal government presented financial statements on the internet.

⁵⁰ FASAB has noted that financial statements are not the sole source of information necessary for providing the information that users seek. Also, for-profit entities are providing substantial non-financial information in their annual reports. Thus, in both the public and private sectors, users seek non-financial information as well as information presented in financial statements.

Concerns with the Existing Reporting Model – Not Meeting Users Expectations for Program Information

The issues that existed in the early 90s when FASAB issued its conceptual guidance continue to exist today. For example, Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Federal Financial Reporting Objectives*, states

The federal system of government— comprising federal, state, and local levels of government—also makes it difficult to pinpoint accountability for many programs. The federal government’s responsibility relative to that of the states has gradually expanded. The federal government has undertaken responsibilities in areas such as income redistribution, education, and health care. Often, however, the expansion has come without direct federal control over related operations. Responsibilities and financial resources of the three levels of government have become intermingled. Citizens are not clear about who is in charge, where to press for performance, and whom they should blame for bad results. (par. 52)

Because of the size and nature of government programs, it is difficult for individuals to evaluate or to influence policies and actions of the federal government. Typically, individuals must organize to exercise influence. Small groups whose members are significantly affected by a common factor or concern can be organized relatively easily, but they may find it difficult to wield much influence. Large groups may be influential, but organizing them is difficult if the members have common but diffuse interests. Once organized, interest groups tend to perpetuate themselves. (par. 58)

As a result, most elected and appointed federal officials, and the groups to which they are responsive, have been interested primarily in information about individual government programs, functions, or activities. They have been less interested in information about the government as a whole and even less concerned about intermediate levels of reporting, such as individual departments. (par.59)

Although the conceptual document was issued 20 years ago, two points it discusses remain today: (1) citizens are not sure who should be held accountable for program results; and (2) users are primarily interested in information about programs rather than information about the government as whole and individual departments.

Concerns with the Existing Reporting Model – Not Helping Users Understand what the Federal Government Does

A better framework is needed to clarify what the government does and where tax dollars are going. Currently information is arrayed by agency which is a framework that does not provide users with insights into government programs and what they cost. This makes developing an MD&A for an agency challenging and hinders developing an understanding of what the government does. Also, the Government

Accountability Office is reporting on fragmentation, overlap, and duplication in federal programs. Current financial reports are not constructed in that manner that would identify these conditions. Reliable data should be arrayed in a useful way.

Concerns with the Existing Reporting Model – Role of the MD&A

Financial reports include an MD&A section, Chief Financial Officer Letter, and many other items. Although the MD&A section is intended to grab the reader's attention, users are not reading the information. Therefore, the existing model could be streamlined to simply presenting the financial statements and notes in an audited report and the other information, such as the MD&A, presented to the public in an electronic environment. If presented electronically, the public can then perform drill downs, link information, etc.

The MD&A includes performance information and its primary purpose is to provide context for the information in the report and facilitate understanding. Given its importance to financial reporting, a construct like the MD&A is needed, but how it is "packaged" or designed is a concern. Should it be presented in Portable Document Format (PDF) along with the financial statements or should it be presented as an electronic, web-based construct that allows users to drill down, link, and use other features to obtain the information they need?⁵¹ Today, a user can use a search engine and access PDF reports containing the MD&A without visiting and reviewing the agency website.

Currently, agency executive summaries or citizen guides are conceptually similar to an MD&A type of construct but provide comparatively less detail. For the most part, they include the same information as presented in the MD&A.

Moreover, there may be a need for agency-specific reporting formats. Agency missions vary significantly and a one-size-fits-all model may not be appropriate. Also, if the "MD&A" became an electronic construct that interfaces with the public, MD&A requirements may not need to be prescribed because each agency may not need to provide the same items of information. As we move toward an electronic environment, agencies may determine that it would be appropriate to move some items of information into the electronic construct but not other items.⁵²

However, changes to the agency level model could impact the government-wide report. Each year, Treasury receives several questions from the press and the public about the consolidated financial report of the U.S. government (CFR) – primarily about information contained in the MD&A. In addition, agency-level MD&As are used in developing the MD&A for the CFR.

⁵¹ Financial statements could also be web-based constructs that allow users to drill down, link, and use other features to obtain the information they need.

⁵² Currently, information presented on the agency's home page or sub-pages provide information that is also presented in their MD&A.

Features of an Ideal Model

Participants noted the following features of an ideal model.⁵³

- Links spending to benefits. One feature of the ideal reporting model would be linking spending to the benefits achieved. Linking spending to the benefits achieved would be helpful to Congress and the public, and to OMB in making allocation decisions. Having a system that helps classify benefits might help facilitate linking the financial data to performance data.
- Presents program information. The model should present information about programs in a more understandable manner. The GPRA Modernization Act required an inventory of government programs and pending legislation such as the Taxpayers Right-to-Know Act would require agencies to identify and describe each program they administer and the cost to administer the program. Also, Performance.gov provides centralized program information. The federal government would need to identify its programs⁵⁴ and decide how data about them should be provided so that users, such as Congress and the general public, can appropriately select and array data in a way that is useful to them.
- Is flexible. The model would need to be flexible and possibly have drop-down menus that would allow users to choose different items. Users may not always know exactly what they want. At times, they may want expenditure information or they may want data by object class.

Engaging different users who are likely to want information classified in different ways presents a challenge for financial statements that attempt to satisfy multiple users. Ultimately, the classification will only be as good as the input and there should be uniform definitions similar to those used for completing a tax return.

One agency appears to be addressing the need for different classifications by presenting cost information by program and object class. This presentation allows the user to determine the agency's major programs and whether the work was performed by federal employees or they provided grants.

- Provides clarity with respect to who is responsible for the data. Because of the costs associated with providing information, the federal government cannot be all things to all stakeholders with respect to providing information from its data. Therefore the new reporting model needs to specify and define: 1) what data the federal government will be responsible for providing; 2) what kind of integrity that data has, e.g., has been audited – level of internal controls, etc.; 3) what kind of information the federal government will provide from its data; 4) the

⁵³ The features are not listed in any particular order and may overlap.

⁵⁴ Other focus groups raised the concern that a standard definition of a program is needed. See FASAB Staff Issue Paper, Reporting Model, TAB B-1, December 7, 2012, p. 10, <http://www.fasab.gov/projects/active-projects/concepts-the-financial-report/>.

distinction between information the federal government will provide versus the data it will provide so stakeholder groups can create their own information. Stakeholder groups need to understand this so they can independently verify the government's information, or add data/information to the government's to draw conclusions and further serve their constituencies. Consequently, there needs to be complete clarity in who is responsible for what data/information and how reliable it all is.

- Is easy to use and understand and has drill-down capability. Looking at the detailed components of the ideal model and the type of reporting that would be needed is good; however, at this initial stage, it would be better to focus on a high-level view of the end-product. The high-level view would determine the type of reporting mechanisms that would be needed. A citizen would want a construct that is easy to use and understand and have drill-down capability. Recovery.gov and the Federal Reserve's FRED application⁵⁵ are good examples. FRED is the Federal Reserve Bank's app that permits users to download, graph, and track federal reserve economic data from various sources.
- Is web-based and does not necessarily require reinventing the wheel. Because the federal government already has significant amounts of data, the ideal model should not necessarily require reinventing the wheel. Individual agencies could have the reporting mechanisms linked through a single website. The "front-end" would be user friendly and make information more accessible. It could have links to the top five items that users seek and provide data that could be downloaded into Microsoft Excel or provided in a graph. Additionally, users seeking financial information, such as a balance sheet, could get that information.
- Makes data available for others to analyze. If a data warehouse was constructed to collect and organize federal government data and the public had the ability to download the data, individuals could develop their own apps to analyze the data.⁵⁶

The Department of Interior is currently developing a web-enabled presentation of expenditures. The presentation will show a map of the U.S., color-coded to show the amount of expenditures by state. In addition, by using the mouse to click on each state, a user can view the top five expenditures by object class and the top five vendors. The presentation reconciles to the financial statements and the increased usefulness of the data will result in having more individuals reviewing the data. Also, as more individuals view the data, the data will improve because more individuals will be able to ask questions, provide feedback, and help identify areas for improvement.

⁵⁵ <http://research.stlouisfed.org/fred-mobile/>

⁵⁶ An application program interface could provide the tools necessary for building software applications.

- Integrates financial and performance measures. An ideal model, without constraints, should be able to integrate financial and performance measures such as outputs and outcomes, and answer a variety of queries, such as how much is being spent on social welfare programs by agency and how many beneficiaries are being served. Each program would need to define its outputs and outcome measures. Also, if the federal government developed this data warehouse and collected data from other sources, users would develop interfaces to answer their questions. Currently, there are public databases that show budget authority, outlays, and receipts by sub-function.⁵⁷ See <http://www.whitehouse.gov/omb/budget/Supplemental>.
- Better links to cost data. Linking costs to functions would help users determine where their money is going rather than providing the data by strategic goal. It is difficult to assess an agency's performance when it reports cost by strategic goal. However, budget functions are broad, can include numerous government activities, and appear to overlap. For example, health includes healthcare services, health research and training, and consumer and occupational health and safety, while there are separate functions for Medicare and hospital and medical care for veterans. The public would likely want to know costs by program.
- Uses the latest technology. Using the latest technology can greatly enhance reporting. For instance, technology facilitates the collection of unstructured data or data that is not necessarily organized in a pre-defined manner. Data in text documents, email, audio, video, graphics, web pages, and in software can be collected for analyses.

Also, technology can be useful in helping users understand the federal terminology. Terminology being used may be confusing and may not be understood by those who do not regularly work with federal financial information. For example, the term 'spending' is used in a variety of ways. Terms can be linked to a glossary or as a user mouses over⁵⁸ a term, the definition could appear.

However, there are concerns with some technology features. For example, the audit community would likely be concerned that users would be able to start with audited data and drill to data that is not audited. Initially, the depth of the model (and the drill-down capability) may be limited until the audit issues are resolved.

- Has a structure to ensure data integrity. A structure to ensure integrity would need to be established. For example, there would need to be information on the source of the data and whether it is reliable. Unaudited information can be distinguished in some manner to alert users but, in general, citizens want

⁵⁷ For a listing of sub-functions see *Public Budget Database User's Guide*, Table 2 – Listing of Functions and Sub-Functions, accessible from <http://www.whitehouse.gov/omb/budget/Supplemental>.

⁵⁸ The phrase "mouses over" refers to placing the mouse pointer over a term in an online document.

assurance that the data presented is reasonably correct. The federal government could simply start providing data rather than waiting to ensure perfection. Nothing will be accomplished if it waits for all the components to be in place. Also, some agencies are providing data that can be sliced and diced, such as Federal Emergency Management Agency's (FEMA) OpenFEMA initiative. In addition, states and local governments have been providing searchable data for quite some time.

- Periodically changes.⁵⁹ The “front” or the face of the model can be changed periodically, depending on the issues of interest to users, but the data warehouse may not need to change as frequently. The ideal cycle time for presenting data could be real time, but it depends on how frequently agencies update their data. Also, the frequency of updates depends on the type of data being presented. For example, expense data could be presented on a quarterly basis, while actuarial projections presented annually. However, one principle to consider is consistency so that users get accustomed to expecting updates at particular time intervals.
- Provides audited and unaudited data. The ideal model would have audited and unaudited data because financial data alone cannot provide an adequate picture of what the federal government does and what was accomplished – information needed to demonstrate accountability and achieve the reporting objectives.⁶⁰ The federal government would need to make statements about:
 - its programs;
 - its objectives for those programs;
 - what did the programs accomplish;
 - where the public can locate the information;
 - what it is presenting (define the scope); and
 - how the information was prepared (assumptions, measurement methods, etc.).

Then, the public can bring in additional data, formulate views, and challenge the federal government. For instance, if the government said it was going to build a structure or provide a service, citizens should be able to locate information on those initiatives and challenge whether that structure was built or that the service was provided as intended. Additionally, others, such as citizen

⁵⁹ FASAB's Reporting Model Task Force also recommended that the federal government needs to move from a static reporting model to a dynamic form. See *Report of the Reporting Model Task Force*, December 2010, p.6. , accessible from <http://www.fasab.gov/accounting-standards/other-sources-of-information/other-reports-documents/> .

⁶⁰ FASAB's conceptual guidance notes that sources other than financial statements help attain the reporting objectives. See SFFAC 1, par. 5.

advocacy groups, can access data, develop their own sites, and create dialogue.

The federal government currently has authoritative data provided in financial statements and other data that is not presented in financial statements. The reporting model should be flexible, providing authoritative data and other data that is suitable for presentation along with financial statements and that offers a different view.

- Others. Other key matters for a reporting model include determining what data exists; where the data is located; and how the data should be arrayed. Data should be arrayed so that it is understandable to users and they can obtain the answers to their questions. Also, the data should be tied to financial statements to mitigate questions about the integrity of the data.

Recovery.gov is a model that has financial data and shows how that data can be provided in different ways.

Getting the data in a format that users will read has been a challenge. One way to address this issue is to identify some high-level areas and assign those areas to sub-groups within the agencies. The agency work groups could determine what framework would be most appropriate for the information.

Most Important Features of an Ideal Model

From a high-level perspective, an ideal model should have

- Plain-English language. Technical terms and terms unique to the federal government may hinder user understanding.
- Robust, flexible search capability. Users can query for the information they need and, if they are not particularly certain initially, they can review a “menu” of items. There would need to be some structured, pre-defined items, such as financial statements or items for compliance purposes, but users should also have the ability to create their own reports. Also, with respect to flexibility, the model should allow users to take different paths to locate the information that is most useful to them. They could take a path to view programs or object class. To help guide users to certain items of information, the menu could have categories for types of users, such as a citizen, member of Congress, etc. However, during the development of Recovery.gov, it was noted that users did not want to define themselves in a particular manner because they believed that they would be limiting themselves.

An advance search feature would permit the user to choose different filters or different ways of asking for data. This feature would narrow searches.

- An easy to use design. Users should be able to readily find and obtain the information they are seeking. The user can elect to have the information presented in a graph, chart, or download it into Microsoft Excel.
- Multiple output formats to help ensure that the information is digestible. There will be many users with different levels of expertise – essentially, not all users will be accountants. Accordingly, users should be able to get the information in a format that is useful to them and in layman’s terms. The output would likely be based on volumes of data; therefore, it would need to be presented in an understandable manner. Depending on the user, a pictorial representation would likely resonate better than a table of numbers and providing visualization tools would help users digest the information.

The model will provide structure for those that need structure, such as standardized reports, but it should allow users to create the information they need.

- Links. The model will not have all the information users need, so links can be used to guide users to other locations with additional detail to facilitate their understanding.

Also, standardized reports could include links to additional detail.

- Guides to or a series of prompts help users perform their research. A citizen may have an issue they want to research, but not aware of how to locate the information needed. A series of questions could guide them to the information. Also, as questions are collected, brief, two-minute videos could be produced that discuss those frequently asked questions and how to get the information.
- Educational features intended to help users understand the information being provided. For example, tools could be used to explain the components of financial reports, where users can find the reports and standards that guide the presentation, and links to information on what the government does and how it is organized.
- A description of programs. Information about individual programs, such as the objective of the program.
- Blog. Informs users of current issues.
- Sharing feature. Users can contribute information that they identify. It allows users to contribute the results of their research and the government can learn about how the data is being used. Although some researchers may be protective of their results, the option of sharing can be provided.

- Social media. Helps share data and engages the public.
- A marketable name. A marketable name is needed to help users find the site. Many sites that have useful information go unnoticed because their site name does not resonate with its intended audience.

Also, the ideal model would not necessarily replace existing data sites or require that they be shutdown. Some sites already have a substantial following; therefore, it may cause confusion if the data is moved to a new site. The ideal model would link the data in existing sites as necessary to provide users with the information they need. Mymoney.gov is an example of a portal that provides a one-stop shop for matters concerning money. People tend to go to each individual organization's website searching for information, while mymoney.gov provides a central location with links to the other websites.

The initial design of the ideal model will not be perfect; therefore, it should be setup in a manner that is iterative, scalable, and can be changed so that as users access the model, areas for improvement can be identified and addressed. The traditional reporting format could also be provided concurrently with the capability that permits users to customize the format.

Next Steps

A possible starting point for the ideal reporting model would be developing a mockup and pilot initiative. The mockup could help with testing possible designs and demonstrating features. Also, it would bring what we expect to provide in the future to the present and provide a construct that we can better discuss. It is difficult to discuss matters in abstract. Citizens and other users could test the mockup and universities and other groups could be asked to design the mockup as a project.

For the pilot program, it would be necessary to select a broad area and ask agencies to participate to see how the information would flow, what challenges or questions develop, and how they can be addressed.

An inventory of existing sites is also needed to access what additional data may be needed, if any. In the short-term, these sites could be linked to improve user access to questions. In addition, this inventory could be provided to FASAB to show the existing data that is being made available. Also, we could ask the Board for input on what they would expect in a model.

As an alternative to an initial website, a mobile app could be developed. It could be designed more readily and could also be used to assess issues and what would be appropriate for the full-scale site. In addition, the app could alert users to updates and link them to details.⁶¹ Also, the group that designed the FRED app could be

⁶¹ For example, Johnson & Johnson provides an app that shows the company stock price, alerts the user to company news updates and links to the details, and links to their financial information.

consulted. Review the FRED app and see how its design might be adapted for the data the reporting model would be expected to provide.

FASAB staff will pursue possibilities for a mockup.

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APPENDIX I

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APPENDIX I: IMPACT OF COMMUNICATING INFORMATION IN FINANCIAL REPORTS

When developing new standards, FASAB considers what information is currently being provided through non-GAAP reporting and, at times, determined that certain items of information should also be provided in GAAP reports. Consequently, FASAB may require the reporting of information that is not necessarily considered “new” to all users. The following discussion is an excerpt from SFFAS 5, *Accounting for Liabilities of the Federal Government* and it explains why FASAB may require GAAP financial reports to communicate information that is already being provided through non-GAAP sources.

137. FASAB recognizes that extensive information about probable and possible future federal outlays is available now in many special purpose reports on various federal programs. In that sense, the financial reports prepared pursuant to this Statement are not likely to reveal information that is new in an absolute sense. Analysts working for the various executive agencies, congressional committees, private interest groups, “think tanks” and universities are, collectively, aware of this information and much more. Nevertheless, the Board believes that presenting liabilities and stewardship responsibilities in the general purpose federal financial reports can be valuable in several ways. There are at least four reasons for this belief.
138. First, analysts typically know a lot about certain programs, but only those programs. Currently it is difficult, if not impossible, to assemble comprehensive information prepared on a comparable basis for the federal government as a whole. In many cases, this is also true for significant component units. General purpose federal financial reports attempt to provide a way of presenting comprehensive information.
139. Second, much of this information has no impact on individual decisionmakers, such as program managers, unless it is conveyed in a way that facilitates, or even requires, suitable attention to it. For example, information about federal pension plans and retirement benefits conveyed in an actuarial report or in the narrative section of the *Budget of the United States Government* may have an impact on certain congressional decisions, but is unlikely to influence managers’ decisions about whether to use federal employees, invest in labor-saving equipment, or contract out to accomplish a given task. If the information is to have such an impact, it must be reported in a way more directly associated with the activities the manager is responsible for. Associating the expenses and liabilities reported in the general purpose federal

financial report with the outputs of responsibility centers is able to accomplish this direct association.

140. Third, the mere requirement to assemble and report these data will, in some cases, affect federal managers, who, like everyone, tend to manage what they measure. Some observers believe, for example, that the prospect of having to comply with FASB's Statement 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, caused corporate managers and others to focus increased attention on the need to manage the cost of promises they had made to provide health care to retirees, even before the statement became effective.
141. Fourth, financial reports prepared and audited pursuant to federal accounting standards may reasonably be expected to possess a certain credibility and to command a certain amount of attention from various users, sufficient to affect decisions about federal government public policy. They will provide a source of information that should complement what is provided by the Budget of the United States Government. An important collateral benefit arises from the processes of preparing, auditing, and publishing annual financial statements. Experience demonstrates that these processes improve the reliability of information and of control systems, thereby enhancing both decisionmaking and accountability in general.

APPENDIX II

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APPENDIX II: FEDERAL ACCOUNTING STANDARDS RELATIVE TO STEWARDSHIP

Standard	Summary	Analysis
SFFAS 1, Accounting for Selected Assets and Liabilities	Defines selected assets and liabilities and discusses recognition, measurement, and disclosure requirements. Also, defines and illustrates the distinction between entity assets and non-entity assets as well as intragovernmental and governmental assets and liabilities.	Requirements for selected assets and liabilities support providing information on the government's financial position.
SFFAS 2, Accounting for Direct Loans and Loan Guarantees	Provides accounting standards for reporting on federal direct loans and loan guarantees.	Requirements for direct loans and loan guarantees contribute to providing information on the government's financial position.
SFFAS 3, Accounting for Inventory and Related Property	Provides accounting standards that apply to tangible property, other than long term fixed assets held by federal government agencies, including valuation methods and recognition requirements.	Requirements for information on assets support providing information on the government's financial position.
SFFAS 5, Accounting for Liabilities of the Federal Government, as amended by SFFAS 25	All federal insurance and guarantee programs (except life insurance and loan guarantee programs) should report (as required supplemental information) the expected losses that are based on risk inherent in the insurance and guarantee coverage in force.	The requirements help achieve the overall stewardship objective. However, the primary purpose of the requirements is to provide information on the financial condition of the federal government.
SFFAS 6, Accounting for Property, Plant, and Equipment	Provides accounting standards for federally owned property, plant, and equipment, and cleanup costs.	The requirements contribute to the overall stewardship objective, but the focus is on providing information regarding the operations of the federal government and its financial position.
SFFAS 8, Supplementary Stewardship Reporting	Provides requirements for reporting on stewardship investments - investments in nonfederal physical property, such as physical property owned by states and local governments, human capital, and research and development.	The standard contributes to the overall stewardship objective. However, the requirements primarily seek to provide information about the

Standard	Summary	Analysis
		operations and financial condition of the government. The standard requires information on resources that provide long-term benefits to the public.
SFFAS 10, Accounting for Internal Use Software	Requires the capitalization of the cost of internal use software whether it is commercial off-the-shelf (COTS), contractor-developed, or internally developed.	The standard discusses requirements for reporting on a type of asset and supports reporting on the government's financial position.
SFFAS 15, Management's Discussion and Analysis	Requires that the MD&A provide a clear and concise description of the reporting entity and its mission, activities, program and financial performance, systems, controls, legal compliance, financial position, and financial condition.	The standard contributes to the stewardship objective and requires a discussion and analysis that informs users about the entity's financial condition.
SFFAS 17, Accounting for Social Insurance	<p>Regarding social insurance programs, the standard requires presentation of:</p> <ol style="list-style-type: none"> 1. long-range cashflow projections in nominal dollars and as a percentage of (a) the payroll that is subject to the tax earmarked for the program and (b) the Gross Domestic Product; 2. long-range projection of the ratio of contributors to beneficiaries (commonly called the "dependency ratio"); and 3. a statement presenting the actuarial present values of (i) future benefits and (ii) contributions and tax income for social insurance programs; the Statement of Social Insurance. 4. Sensitivity analysis demonstrating the impact of changes in the most significant assumptions on the projections and present values. 5. State by state solvency analysis for the unemployment insurance program 	The standard contributes to the overall stewardship objective and requires information about the sustainability of social insurance programs. Thus, the focus is on the financial condition of the federal government.

Standard	Summary	Analysis
SFFAS 26, Presentation of Significant Assumptions for the Statement of Social Insurance: Amending SFFAS 25	Requires disclosure of significant assumptions underlying the Statement of Social Insurance (SOSI)	Contributes to the Stewardship objective but focuses on the government.
SFFAS 29, Heritage Assets and Stewardship Land	<p>Requires that:</p> <ol style="list-style-type: none"> 1. entities reference a note on the balance sheet that discloses information about heritage assets and stewardship land, but no asset dollar amount should be shown. 2. the note disclosure requirements include a description of major categories, physical unit information for the end of the reporting period, physical units added and withdrawn during the year, a description of the methods of acquisition and withdrawal, and condition information. 3. disclosures also include entity stewardship policies and an explanation of how heritage assets and stewardship land relate to the mission of the entity. 	The focus of the standard is on providing information about the financial condition of the federal government. The standard requires reporting on resources that provide long-term benefits to the public.
SFFAS 36, Comprehensive Long-Term Projections for the U.S. Government	<p>Requires:</p> <ol style="list-style-type: none"> 1. A basic financial statement in the consolidated financial report of the U.S. Government (CFR) presenting for all the activities of the federal government: <ol style="list-style-type: none"> a. the present value of projected receipts and non-interest spending under current policy without change, b. the relationship of these amounts to projected Gross Domestic Product (GDP), and 	<p>The standard contributes to the overall stewardship objective and includes requirements for economic measures, such as GDP. However, the standard primarily focuses on providing information about the federal government's policies and financial condition. The standard was not intended to provide an assessment of the nation's financial condition.⁶²</p> <p>Rather, the standard provides information that "helps the reader determine whether future budgetary resources will</p>

⁶² SFFAS 36, par.4

Standard	Summary	Analysis
	<p>c. changes in the present value of projected receipts and non-interest spending from the prior year.</p> <p>2. Required Supplementary Information (RSI) that explains and illustrates</p> <p>a. the projected trends in: (1) the relationship between receipts and spending, (2) deficits or surpluses, (3) Treasury debt held by the public as a share of GDP,</p> <p>b. possible results using alternative scenarios, and</p> <p>c. the likely impact of delaying corrective action when a fiscal gap exists.</p> <p>3. Disclosures that explain and illustrate: a. the assumptions underlying the projections, b. factors influencing trends, and c. significant changes in the projections from period to period.</p>	<p>likely be sufficient to sustain public services and to meet obligations as they come due.”⁶³</p>
<p>SFFAS 37: Social Insurance: Additional Requirements for Management’s Discussion and Analysis and Basic Financial Statements</p>	<p>Requires:</p> <p>1. Critical information about costs, assets and liabilities, social insurance commitments, budget flows, and the long-term fiscal projections together in one section in management’s discussion and analysis (MD&A).</p> <p>2. A table or other singular presentation of key measures in MD&A.</p> <p>3. A new summary section for the statement of social insurance.</p> <p>4. A new basic financial statement to present the reasons for changes during the reporting period in the open group measure reported on the statement of social insurance.</p>	<p>The requirements contribute to the overall stewardship objective, but the focus is on helping users answer questions about whether</p> <ul style="list-style-type: none"> • the government can sustain social insurance programs as currently constructed • the government’s financial condition improved or deteriorated as a result of its efforts to provide these and other programs, and • how long these

⁶³ SFFAS 36, par. 5.

Standard	Summary	Analysis
		<p>programs will be able to provide benefits at current levels.⁶⁴</p>
<p>SFFAS 38, Accounting for Federal Oil and Gas Resources</p>	<p>Requires the value of the federal government's estimated petroleum royalties from the production of federal oil and gas proved reserves to be reported in a schedule of estimated federal oil and gas petroleum royalties. The standard also requires the value of estimated petroleum royalty revenue designated for others to be reported in a schedule of estimated federal oil and gas petroleum royalties to be distributed to others.</p>	<p>The requirements contribute to the Stewardship objective but the focus is on the government's operations.</p>
<p>SFFAS 42, Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32</p>	<p>Requires entities to:</p> <ol style="list-style-type: none"> 1. describe their maintenance and repairs (M&R) policies and how they are applied, 2. discuss how they rank and prioritize M&R activities among other activities, 3. identify factors considered in determining acceptable condition standards, 4. state whether DM&R relate solely to capitalized general property, plant and equipment (PP&E) and stewardship PP&E or also to non-capitalized or fully depreciated general PP&E, 5. identify PP&E for which management does not measure and/or report DM&R and the rationale for the exclusion of other than non-capitalized or fully depreciated general PP&E, 6. provide beginning and ending DM&R balances by category of PP&E, and 7. explain significant changes from the prior year. 	<p>The requirements contribute to the overall stewardship objectives, but the focus is on the operations of the federal government.</p>

⁶⁴ SFFAS 37, par. 7.

Standard	Summary	Analysis
SFFAS 44, Accounting For Impairment Of General Property, Plant, And Equipment Remaining In Use	Provides accounting and financial reporting standards for impairment of general property, plant, and equipment (G-PP&E) remaining in use, except for internal use software.	Requires information that supports the Stewardship objective but the focus is on the operations of the government.