



October 8, 2009

Memorandum

To: Members of the Board

From: Ross Simms, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: The Financial Reporting Model – **TAB F¹**

MEETING OBJECTIVES

The purpose of the meeting is to discuss the results of the citizens user needs study and progress on the study of other user groups. Staff will utilize the Board's feedback to plan additional steps for the reporting model project.

BRIEFING MATERIALS

Attachment I provides the citizens user needs report.

Attachment II provides an example of the user needs inventory that staff is concurrently building while conducting the user needs study.

Attachment III provides a draft listing of references consulted.

BACKGROUND

During its agenda setting deliberations, the Board discussed concerns regarding the existing federal financial reporting model which the Board developed in the early 1990s. The Board believed that after several years of substantial progress that it was time to

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.

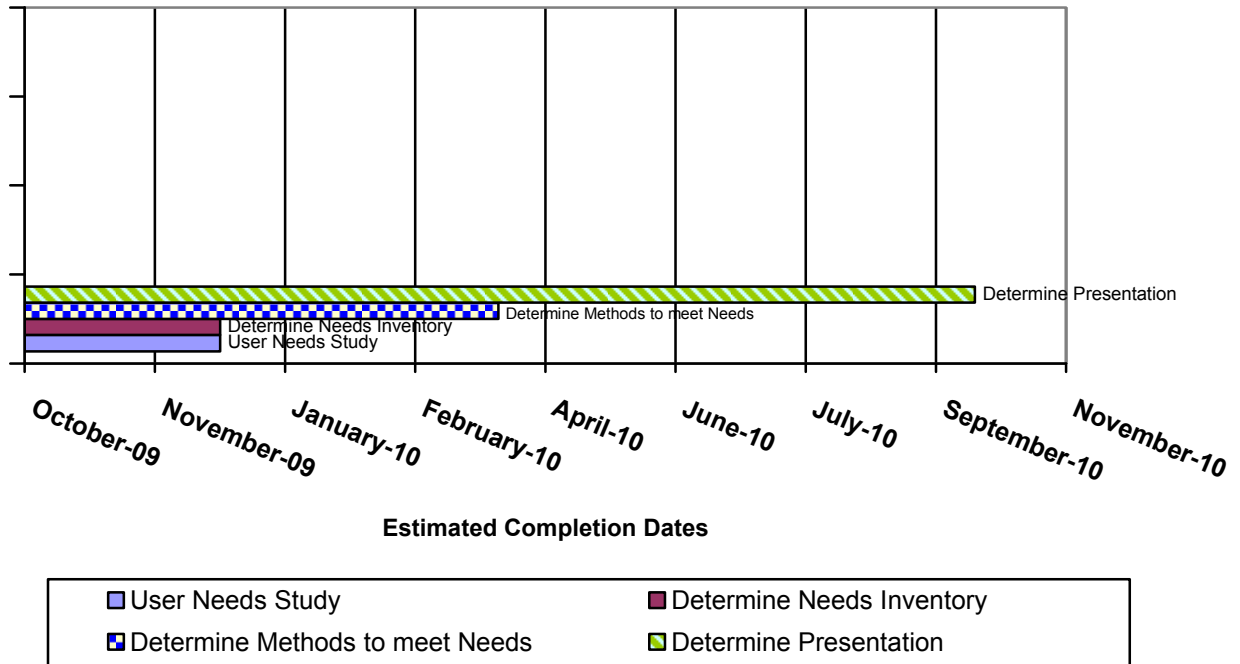
revisit the model. The plan for revisiting the model included 1) studying user needs for federal financial information; 2) determining the inventory of user needs and how they relate to the reporting objectives; 3) determining methods for meeting user needs; and 4) determining presentations. Currently staff is studying user needs and building a user needs inventory. The user needs study involves focus group discussions with various groups including individuals with expertise in presenting information in federal financial reports (preparers), other federal financial reporting experts, auditors, and citizens, and interviews of citizen intermediaries, Congressional staff, executives, and program managers. In addition, staff conducted a national survey of citizens and is conducting a literature review to identify information that should be reported to facilitate decision-making and demonstrate accountability.

PROGRESS

Staff has concurrently studied each user group and has completed planned steps for the study of citizens user needs (see Attachment I for details of the citizens user needs study). Because citizens, Congress, executives, and program managers share some of the same information needs and may at times obtain information from each other, staff suggests developing conclusions and recommendations after staff completes the user needs studies for the remaining user groups (see pages 10-11 of Attachment I for a discussion on the next steps). Chart 1: Reporting Model Timeline, on page 3, shows the estimated completion dates and that progress can be made on all phases in tandem.

Regarding progress on the remaining user groups, staff initiated a survey of Congressional staff. However, due to the low response rate, staff plans to conduct interviews. In addition, staff has conducted focus group discussions with preparers, other federal financial reporting experts, and auditors and is in the process of conducting interviews with executives and managers. Moreover, staff is reviewing literature which would consider the information needs of all the user groups and reporting model presentation matters. The literature review includes Government Accountability Office (GAO) reports and guidance, congressional hearings, and literature on the operations of Congress and program management principles. Staff is compiling the user needs study results in a user needs inventory. An example of the inventory is provided in Attachment II. The inventory as of September 2009 is primarily based on the literature review. In addition, Attachment III shows the references consulted during the course of the user needs study to date.

Chart 1: Reporting Model Timeline



STAFF QUESTIONS TO THE BOARD

1. Does the Board agree with the staff proposal to complete the user needs study for all groups before developing conclusions and recommendations?
2. Does the Board have comments or suggestions for additional research regarding user needs?

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

Attachments

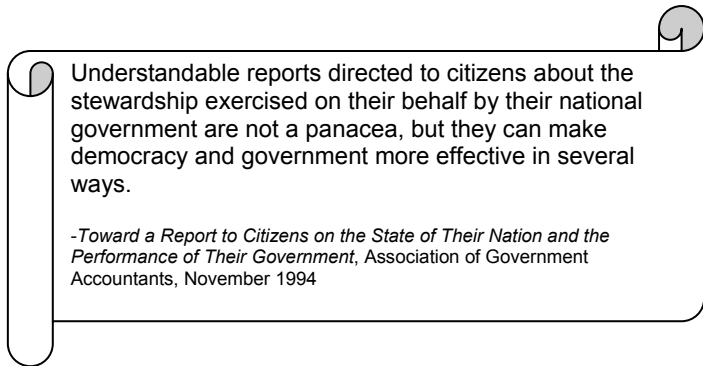
**FINANCIAL REPORTING MODEL
USER NEEDS STUDY
CITIZENS**

Purpose

The purpose of the citizens user needs study was to determine what type of information should be provided to citizens to assist them in assessing the federal government's accountability and in making decisions with respect to the federal government. Ultimately, staff intends to use the results to develop an inventory of user needs.

Background

In the mid-80s, the Government Accountability Office (GAO) and the Office of the Auditor General of Canada (OAGC) published a study on users' "needs" regarding federal government financial information. The report entitled *Federal Government Reporting Study* (FGRS) noted that "...identifying and understanding users' activities and financial information needs are the starting point for building consensus about the



Understandable reports directed to citizens about the stewardship exercised on their behalf by their national government are not a panacea, but they can make democracy and government more effective in several ways.

-*Toward a Report to Citizens on the State of Their Nation and the Performance of Their Government*, Association of Government Accountants, November 1994

form and content of financial reports.”¹ It also discussed that users depend on each other for information and it described the types of information that users seek, such as information on what are the full cost of programs, what does the government own, what does the government owe, what are the sources of revenues and how are revenues spent.²

Regarding citizens in particular, FGRS noted that this group typically does not use financial reports. Instead, they rely on analyses and reports from the media.³ FGRS asserts that, "...Federal government financial reports will serve the needs of legislators, citizens and corporations well only if the needs of the media and analysts are adequately met.”⁴ Media and analysts believe that preparing financial reports and having them audited would instill discipline and provide confidence in other federal government financial reports, and that an annual financial report about the federal government would serve as a useful reference document for further research.⁵

Subsequent to the FGRS, in the early 1990s, the Federal Accounting Standards Advisory Board (FASAB) began its mission and developed conceptual guidance that describes the information that would be used by four groups of users – citizens, which includes the media and analysts; congress; executives; and program managers. The information they would use may be categorized as: budgetary integrity information, operating performance information, stewardship information, and systems and control

¹ FGRS, GAO/AFMD-86-30B, p. iv.

² Ibid, pp. 10 and 11.

³ Ibid. p.10

⁴ FGRS p.6.

⁵ Ibid, pp. 67, 68, and 110.

information. These categories provide the framework for the objectives of federal financial reporting. The reporting objectives are discussed in Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting (Objectives)*. In addition, SFFAC 4, *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government*, states that citizens and citizen intermediaries should be the primary audience for the consolidated financial report of the federal government.⁶

Given several years of substantial progress in federal financial reporting since the GAO and OAGC study and the development of the existing reporting model, the FASAB believed that it was time to revisit the model and the information “needs” of users. The project will revisit the federal financial reporting model for individual departments and agencies and government-wide reporting.

Scope and Methodology

The FASAB staff, with assistance from the GAO Applied Research and Methodology (ARM) staff, conducted focus group discussions to: (1) learn what information should be provided to individual citizens about the federal government; and (2) provide insights on how financial reports⁷ could be improved to facilitate their use for assessing accountability and decision-making. Focus groups are not designed to be a statistical representation of a population. However, they provide qualitative information on the attitudes, perceptions, and feelings of a group of individuals to help develop insight into a particular area. To develop questions for the focus group discussions, staff reviewed earlier research involving citizen focus group discussions including FGRS and *A Report on the GASB Citizen Discussion Groups on Performance Reporting*, Governmental Accounting Standards Board, July 2002, and conducted a test focus group on July 14, 2009. The test focus group involved administrative professionals in Washington, DC.

The actual focus groups involved individuals in Boston, Massachusetts and Dallas, Texas. A research firm randomly selected individuals 18 years of age and older to participate in the discussions. Six participants attended the Boston discussions and 14 individuals attended the Dallas discussions. Focus group participants were asked about the information they should receive regarding the financial health of the federal government and the sources of information they currently use. Also, participants were asked to review *A Citizen’s Guide to the 2008 Financial Report of the U.S. Government* (Citizen’s Guide, see pages 20 through 31) to help us better understand the types of information citizens should receive about the federal government’s financial health and how the information should be presented. Because participants in both Boston and Dallas expressed consistent perceptions, staff decided to conclude the focus group discussions rather than organizing additional focus groups in other U.S. cities. In both focus groups, participants desired understandable financial information about the

⁶ SFFAC 4, par. 7.

⁷ For the purposes of this document, the phrase “financial report” refers to the financial statements, notes to financial statements, required supplementary information (including management’s discussion and analysis), required supplementary stewardship information, and other accompanying information.

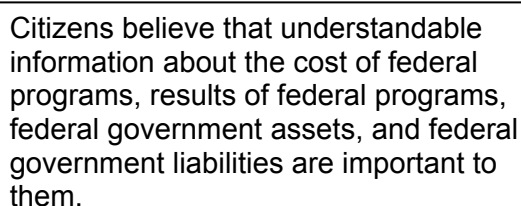
federal government and its programs. However, they demonstrated a lack of understanding of existing financial information. See Appendix I for the Boston Focus Group Discussion, Appendix II for the Dallas Focus Group Discussion, Appendix III for the Citizen's Guide, and Appendix IV for our Focus Group Discussion Guide.

To examine the extent to which individual citizens desired understandable financial information about the federal government and further learn about the information they should be provided, staff arranged a telephone survey of 1043 randomly-sampled U.S. adults 18 and over. The survey data collection was conducted by a private research firm under contract with FASAB during the period September 16 to September 20, 2009. To help develop questions for the survey, staff, with assistance from ARM staff, relied on the focus group discussions and relevant literature regarding public perceptions.⁸ See Appendix V for details of the survey.

Results

Despite the notion that the information needs of individual citizens can be best met by directing the information to the media and analysts, individual citizens expressed that they wanted to understand the federal government's financial information for themselves. Participants in our focus groups and in comments to our public survey expressed that they wanted understandable financial information about the finances of the federal government and they adamantly emphasized that they were entitled to this information. They wanted the information to be able to participate in the discussions about the nation's finances, such as the allocation of federal funds.⁹ This perspective has been noted in other research which suggested that understandable information be provided to citizens to assist them in knowing and understanding the federal

government's finances and better participating in the debate over the use of the nation's resources.¹⁰



Citizens believe that understandable information about the cost of federal programs, results of federal programs, federal government assets, and federal government liabilities are important to them.

Although they currently relied on the internet and news media, citizens perceived that understandable financial information about the federal government was not available. They used the media and internet because of their convenience or

⁸ *Public Attitudes Toward Government Accountability and Transparency 2008*, Association of Government Accountants, February 2008 and Pew Research Center for the People and the Press surveys.

⁹ This appears to contrast with the perspectives of the FGRS which focused on Canadian citizens and noted that they were "unaware or unconvinced that federal government financial activities affected them personally in a way that had to be taken into account in making decisions." p. 63.

¹⁰ See *Toward a Report to Citizens on the State of Their Nation and the Performance of Their Government*, Association of Government Accountants, November 1994, p. 7.

accessibility rather than the interpretations that these sources offered. Focus group participants noted they sought various sources and wanted to examine details to develop *their* views. However, they were not aware that financial information about the federal government was available on federal agency websites which is the means that preparers of federal financial reports noted that they primarily use when making their financial reports available to potential users.

Given the focus group participants' views regarding the availability of understandable federal financial reports, we asked the participants and surveyed the public to learn about their perceptions on how they would prefer to have financial information made available. Focus group and survey respondents generally stated that the mail or the internet was their preferred method and some believed that the document should be made available for pick-up at a community location such as the library. However, few respondents expressed a preference for the media.¹¹

Also, considering present trends in internet usage, we sought to learn why more respondents did not express a preference for the internet. We asked survey respondents whether they had access to the internet or email at home or at work or both

Understandable financial information about the federal government is important for enabling citizens to participate in policy debates. A survey respondent noted,

Let us know what's going on! How can we ask people to help out? Let us know what we can do to help out. How can we make it work! Let us give out our ideas.

home and work. As a result, we learned that 21% of the respondents stated that they did not have access to the internet or email. These individuals are likely to be 65 years old or older and live in households with income below \$30,000. These results are consistent with a recent Pew Internet & American Life Project study on internet usage.¹² Also, the focus group participants that believed that mail should be used stated that they would need to be prompted or reminded to go to a website and they noted that some individuals like the elderly did not use or have access to the internet.

To determine how well the public would understand some of the federal government's existing financial reports and how information should be presented, we provided focus group participants with copies of the Citizen's Guide and obtained their reactions. While the charts appeared to be helpful, we observed that participants generally had difficulty understanding the document. Terms such as "Debt Held by the Public," were not clear

¹¹ Some respondents expressed concern about the objectivity of and views expressed in media coverage. Regarding coverage of the current economic crisis, A Pew Research Center's Project for Excellence in Journalism report noted that, "Citizens may be the primary victims of the downturn, but they have not been the primary actors in the media depiction of it." See *Covering the Great Recession*, Pew Research Center's Project for Excellence in Journalism, October 5, 2009, assessable at http://www.journalism.org/analysis_report/covering_great_recession.

¹² See Horrigan, John, Pew Internet & American Life Project, Home Broadband Adoption 2009, June 2009, available at <http://www.pewinternet.org/~media/Files/Reports/2009/Home-Broadband-Adoption-2009.pdf>.

in both focus group discussions we conducted. For example, they were not sure whether Debt Held by the Public included their personal credit card debt. Some additional terms that participants found difficult were “net operating cost,” “Gross Domestic Product (GDP),” and “unified budget deficit,” and they wanted “All Other” net costs disaggregated. See Appendices I and II for summaries of the focus group discussions.

These perceptions from the focus groups were consistent with comments from our public survey. They expressed the importance of providing understandable information as well. One participant suggested that the federal government, “Explain the information in a language that I can understand.”

In addition, as a result of our survey, we found that understandable information about the cost of programs, program results, assets, and liabilities were personally important to citizens. Overall they believed that the federal government could improve in providing understandable information about the cost of programs. They indicated that disaggregated information about costs and results, as well as assets and liabilities was important to them. They believed that it was important to know information such as who receives federal funds, how much is paid in salaries and benefits, how much it costs to conduct a war, how much it costs to explore outer space and the benefits of the program, and what was accomplished with the funds provided. Additional information that participants believed was important included disaggregated information about revenues, information about the federal government’s future plans, including the federal budget, and information about the economy. The public closely tracks information on the economy and is aware of its impact on the federal budget,¹³ and respondents commented that it was important for citizens to know how much of the federal government’s resources are derived from taxes versus issuing debt. Thus, the public indicated the importance of information about the government’s current financial condition and future viability.

Also, some survey respondents expressed a lack of trust in the federal government and desired more accountability and transparency. They commented on the importance of “honesty” and they believed that it is important that financial information about the federal government be audited or independently verified. Appendix V provides details of the public survey.

Additional perceptions noted during the study are as follows:

- Participants believed that it is important that understandable financial information be provided about individual agencies and departments.
- Participants wanted explanations of the information provided. The explanations would help provide a context for understanding the information. For example, participants wanted to better understand the fiscal year (FY) 2008 increase in Veterans benefits.

¹³ The American public closely tracks news about the economy and its impact on the federal budget. See States’ Budget Woes Register With Public: Republicans Increasingly Critical of Obama, the Pew Research Center for the People and the Press, March 5, 2009. Accessible at <http://people-press.org/report/496/state-budget-woes-register-with-public>.

- Timeliness is important to the public. Both our focus group and survey participants expressed the importance of timely information. Focus group participants noted that they wanted to stay abreast of issues and have time to analyze the information before making a determination. Also, one survey participant noted that he wanted a semi-annual report.
- Focus group and survey participants indicated a desire to be involved in the discussions about the nation's finances. One participant believed that a survey should be provided along with the Citizen's Guide. The survey would ask citizens for their views on how federal funds should be allocated among programs. In addition, survey respondents commented that they wanted information so that they can be involved in decision-making.
- Focus group participants appeared to indicate that "layers" of reports would be beneficial to them. They believed that a summary document, like the Citizen's Guide, would be a good start, but they wanted to be able to access additional information if necessary. They pointed to the fact that the Citizen's Guide has a "Find Out More" section where they can access details. In addition, SFFAC 1 discusses that different reports should be used for different audiences.¹⁴
- Participants wanted information on performance information linked to the financial information and information about the amount of borrowing from other countries and information on interest rates for their personal financial decisions.

Implications for the FASAB

Our results confirmed and expanded upon many of the existing views expressed about citizens needs for federal financial information. The table below provides a comparison of existing concepts with our study results.

CONCEPT	STUDY RESULTS	REFERENCE
Citizens are interested in many aspects of the federal government. They are concerned about individual programs, candidates for office, the services the government provides, and the fiscal responsibility of their elected and appointed representatives. Citizens receive and pay for government services and therefore are concerned with the outputs and outcomes of those services and the efficiency with which they are provided.	Survey respondents expressed concern about the growing federal debt and the burden being passed to the next generation. However, the public noted that understandable information about program costs and results was important to them personally. Assurances about the functioning of government may help diminish attitudes of distrust in government which was exhibited in some survey respondents' comments.	SFFAC 1, par. 77

¹⁴ SFFAC 1, par. 159.

CONCEPT	STUDY RESULTS	REFERENCE
<p>Citizens are concerned about their families and, in particular, with the financial burden their children and grandchildren will inherit. As individuals, citizens typically have limited time and ability to analyze reports about their government; they want and rely on assurances that the government is functioning economically, efficiently, and effectively. As they are organized and represented by analysts working for interest groups and the news media, citizens want more information about the government's activities. [Emphasis added.]</p>		
<p>All user groups need information about the budget. For citizens, information about budget execution provides assurance that their elected and appointed representatives have fulfilled their most basic fiduciary responsibility: to raise and spend money in accordance with the law.</p>	<p>The study results suggested that that compliance information in general was important. They wanted to know whether the federal government accomplished what it set out to accomplish and survey respondents expressed the importance of information about the budget.</p>	<p>SFFAC 1, par. 89</p>
<p>Citizens want information about programs that affect them. Veterans, for example, want to know about new hospitals, and defense workers want information about contract awards (and cancellations). Retirees and people planning retirement—and their representatives in Congress—want to know that the Social Security Administration provides reliable services to the public.</p>	<p>Citizens believed that information about the cost of programs was important. However, it appeared that they wanted the information to remain informed and to be able to participate in policy debates.</p> <p>Citizens also sought performance information and noted that information about federal assets, liabilities, and revenues were important to them. They wanted to know whether programs were functioning as intended and operating in an efficient manner, and whether assets and liabilities were being properly managed.</p>	<p>SFFAC 1, par. 92</p>
<p>Citizens, Congress, executives, and program managers need</p>	<p>Citizens seek financial information about the short term and long term.</p>	<p>SFFAC 1, par. 99</p>

CONCEPT	STUDY RESULTS	REFERENCE
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.	They believed that elements of accrual basis financial statements were important and they wanted to know the federal government's plans for the future.	
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.	Citizens noted that it is important for them to know about the future of existing federal programs and plans for new programs.	SFFAC 1, par. 100
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.	Citizens seek information on the future of social insurance programs and they frequently pursue information about the economy and its impact on the federal budget.	SFFAC 1., par. 101
Users also need trend information on spending on investments in physical and human capital versus spending on consumption.	Some survey respondents noted that trend information in general was important to them.	SFFAC 1, par. 102
Users at all levels need information on internal controls and the adequacy of financial management systems. Citizens want assurances that systems and controls are in place to protect the resources they supply to the government. They want to know that operating procedures and processes provide reasonable assurance that those	As part of our study, participants did not particularly note the importance of information on internal control. However, they did indicate concerns about transparency and accountability. They wanted "honesty" and for the federal government to discuss problems as well as what went well. In addition, they noted that audited or independently verified financial information was important to them and	SFFAC 1, par. 103

CONCEPT	STUDY RESULTS	REFERENCE
resources are used economically and efficiently for the purposes intended. Congress, executives, and program managers need to demonstrate to those to whom they are accountable that they have, in fact, protected those resources and used them well. Users want to know, for example, that agency heads have determined that internal controls are adequate, that basic financial statements are auditable, and that high-risk areas have been identified and addressed.	they believed that it was important for individual agencies and departments to provide financial reports.	

In addition, the study indicated that a cash basis system alone may not be sufficient to provide the information citizens believe is important to them. Participants expressed that understandable information about assets, liabilities, revenues, costs, and results were important. Also, trends and projections would be helpful to them. They expressed concerns about whether assets and liabilities were being properly managed. For example, they would like to know the sources of revenue and whether revenue is being foregone¹⁵ or unnecessary costs are being incurred due to improper management of resources and, as a result, taxes being imposed when resources could be better managed. Also, they would like to know the trend in debt accumulation, how much is held by foreign countries, and what has impacted the trend. In addition, they believed that information on the economy and efficiency of programs is important and cost information would be helpful in this regard. It appeared that citizens not only sought information for accountability purposes, but to assist them in learning about the potential need for tax increases and, as noted earlier, inform them for discussions.

Note that not all the information needs to be quantifiable. The public views indicated that understandable integrated financial and non-financial information is important to keeping them informed. For example, they believed that it is important for them to know about the federal government's plans for the future – what new programs are being developed, how much will the programs cost, what are the programs intended to accomplish (benefits), and what programs may be discontinued and what will be the impact of that proposal. In addition, it is important for them to know how well programs

¹⁵ Although not specifically mentioned, understandable information about tax expenditures may be of interest to citizens. They were interested in learning about all areas of government financial decisions and whether all areas have been considered before there is a need to increase revenues from taxes. For a discussion on tax expenditures see CRS Report RL 34622, Tax Expenditures and the Federal Budget, February 27, 2009, by Thomas L. Hungerford.

are accomplishing their intended purposes and whether they are operating in an efficient manner. Trends in cost per unit may be helpful in providing that information.

The public also believes that understandable financial information about individual agencies and departments is important. This perspective appeared to result from their desire for accountability and transparency. Individual reports could inform citizens on how well each agency and department is achieving their mission, which agencies and departments have demonstrated efficiency gains or difficulties, whether they have complied with their budgets and used resources as required, and which agencies and departments are facing challenges with the resources under their custody. Citizens noted that candor is important to them and their interest in department and agency information and program information may have implications for consideration of the reporting entity.

While the study was intended to focus on the information that citizens believed to be important to them, the study noted citizens' concerns about understandability, level of disaggregation, timeliness, and accessibility of existing reporting. Participants sought to know about the federal government's finances for themselves, but they found the existing information to be difficult to understand and they sought more details and explanations. In addition, they preferred to have access to the information in time to analyze it and be able to participate in debates which take place throughout the year, but they were not aware that it could be obtained directly from the federal government, the preferred source.

Next Steps

Staff is in the process of studying the information needs of Congress, executives, and program managers and building the inventory of user needs. Also, based on preliminary observations, staff has noted that each of the user groups have interests in similar types of information and may depend on each other for information. For example, citizens, Congress, executives, and program managers have an interest in information about the cost and benefits of programs¹⁶ and, on July 30, 2009, the Seapower and Expeditionary Forces Subcommittee of the House Armed Services Committee held a hearing on improving shipbuilding effectiveness. The discussion focused on controlling the increasing cost of building Navy warships and, in addition to members of Congress, the hearing involved agency executives, representatives of the shipbuilding workforce, and representatives of the shipbuilding industry. The House Armed Services Committee's website provides testimony from the hearing and a video webcast for the general public.¹⁷

¹⁶ The Government Accountability Office (GAO) noted that no federal government activity should be exempt from some key questions about its design and management. One of those key questions concerns whether there are, "clear goals, measures, and data with which to track progress, benefits, and cost." See *Federal Budget: Opportunities for Oversight and Improved Use of Taxpayer Funds*, Testimony Before the Committee on Government Reform, U.S. House of Representatives, GAO, July 16, 2003, GAO-03-1029T.

¹⁷ Accessible at http://armedservices.house.gov/hearing_information.shtml,

Because of this interrelationship among the user groups, staff plans to develop conclusions when the user needs research is completed for all the user groups. Staff may be able to learn more about the information needs of citizens while continuing the study of Congress and other groups. This will help staff ensure to develop a thorough inventory of information needs.

Question 1:

Does the Board agree with the staff proposal to complete the user needs study for all groups before developing conclusions and recommendations?

Question 2:

Does the Board have comments or suggestions for additional research regarding user needs?

**Federal Financial Reporting User Needs Study
Citizens Focus Group Discussion – Boston, MA
July 28, 2009**

Purpose

The purpose of the discussion was to determine what information should be provided to citizens to assist them in assessing the federal government's accountability and in making decisions with respect to the federal government. Ultimately, staff intends to develop an inventory of user needs. This discussion was the first of two focus group discussions with citizens.

Scope and Methodology

The FASAB staff, with assistance from the GAO Applied Research and Methodology (ARM) staff, conducted focus group discussions with citizens in Boston and Dallas to learn what information should be provided about the federal government. The focus groups provided an opportunity for participants to discuss how financial reports¹⁸ could be improved to facilitate their use for assessing accountability and decision-making. Focus groups are not designed to be a statistical representation of a population. However, they provide qualitative information on the attitudes, perceptions, and feelings of a group of individuals to help develop insight into a particular area.

This focus group involved randomly selected adults in Boston Massachusetts. Although 12 adults confirmed that they would participate in the discussions, 6 actually attended. The participants were asked about the information they should receive regarding the financial health of the federal government and the sources of information they currently use. Also, participants were asked to review *A Citizen's Guide to the 2008 Financial Report of the U.S. Government* (Citizen's Guide), to better understand the types of information citizens should receive about the federal government's financial health and how the information should be presented.

Introduction

Moderators Jenny Chanley and Walter Vance explained the objective of the discussion and reminded participants that there are no wrong answers.

¹⁸ For the purposes of this document, the phrase "financial report" refers to the financial statements, notes to financial statements, required supplementary information (including management's discussion and analysis), required supplementary stewardship information, and other accompanying information.

Information about the Financial Health of the Federal Government

The participants noted that they are interested in financial information about the federal government. They want to stay abreast of financial issues and noted that they have the right to know this information. They seek information from internet websites using Google and news sources such as Cable News Network (CNN), National Public Radio (NPR), British Broadcasting Corporation (BBC), the Week, and the Economist. They prefer objective or unbiased timely sources and they appreciate accessibility and having major issues brought together in a central location. Some focus group participants felt that the media tends to “stir-up” panic with their interpretations, while the participants are more interested in simply the facts.

The participants noted that they would not necessarily seek information from a federal government website unless they were prompted to follow a web link for more information. They believed that they would get “the facts” from a federal government website, rather than the media’s interpretation of those facts. Also, the participants were not aware of a news source directed to federal government issues, but they believed that they have access to the information they need.

Overall Comments on the Citizen’s Guide

While none of the participants were aware that the Citizen’s Guide was available, they noted that overall the document provided them with a good starting place for learning about the financial health of the federal government. They noted that the Citizen’s Guide included references to additional information, if they wanted to review more details. A participant stated that the Citizen’s Guide provides numbers to support what they hear in the news about current fiscal trends. For example, they hear in the news that the federal deficit is \$1 trillion, but the Citizen’s Guide informed them about what makes up that amount. Also, reading the Guide made them more aware of issues such as the cost associated with veterans’ benefits, and they believed that the Guide should be made available to all citizens so that they could be informed. Participants noted that page 2 (see page 22 of Appendix III) of the Citizen’s Guide has an important quote from President Thomas Jefferson.¹⁹ They strongly believed that the quote summed up their views.

Although they did not expect the Guide to answer all their questions, they had difficulty understanding some of its contents. There were terms that they did not understand and they wanted more explanations and context for the amounts presented. Moreover, there were various views on how to distribute the guide to others or simply make citizens aware of its availability (television infomercial, notice with a website link mailed

¹⁹ The quote states, “We might hope to see the finances of the union as clear and intelligible as a merchant’s books, so that every member of congress and every man of any mind in the union should be able to comprehend them, to investigate abuses, and consequently to control them.”

to taxpayers, printed and sent to high schools). Details of the reactions to the document are discussed in the next section.

Comments on Particular Contents of the Citizen's Guide

The participants did not understand the difference between budget deficit and net operating costs. They were not sure what amounts were included in the terms. Also, they were particularly interested in the large increase in net operating costs in FY 2008. They thought that it was interesting that net operating costs primarily increased due to veterans benefits. One participant noted, "We have been in wars all along. Why would costs spike [in FY 2008] due to veterans benefits?" Although an explanation of this matter was later discussed on page 4 of the document, participants felt that further explanation was needed. In addition, the last paragraph of page 1 states,

So far, the largest financial effects of these actions have not yet appeared in the financial statements or the budget, but they will show up in FY 2009, and they will likely result in continued historically high budget deficit and net operating cost levels.

Regarding the above statement, a participant wanted to see what would be the impact of "these actions" on FY 2009 net operating costs - would net operating costs be significantly higher in FY 2009 or were some of the actions already reflected in FY 2008 like veterans benefits?

Participants expressed that page 2 of the document was difficult to understand (see page 22 of Appendix III). For example, they did not understand the phrase "Debt held by the Public" presented in Chart 2, *Debt held by the Public*. One participant stated that he believed, "it is something we are going to pay as part of our taxes somewhere down the line." Another participant believed that it could refer to Treasury bills, but was not sure. Yet another participant believed that it refers to the lack of return on investment needed to continue to provide services for the aging public. Also, participants did not understand the term "GDP"²⁰ and it was difficult to understand the purpose of Chart 2 in relation to the narratives on page 2. Chart 2 highlighted, "World War II 109% of GDP." However, the context of WWII is not discussed in the narrative.²¹ One participant expressed that he was not sure whether the information was intended for "the masses" or economists and noted that there needs to be something to "let us know whether this [information] is good or bad or what is the *desired* level."

Participant views were mixed regarding page 3 of the document (see page 23 of Appendix III). Some felt that the overall message seemed clear that more went out than came into the federal government. However, others felt that the language used to explain what came in and what went out was difficult to follow and they found that they were trying to relate revenues in Chart 3, *Revenues of the U.S. Government*, with net operating costs in Chart 1, *U.S. Budget Deficit & Net Operating Cost*.

²⁰ The term is later defined on page 7, footnote 4 of the document.

²¹ The context of WWII is discussed later on pages 7 and 8.

Participants felt that page 4 was understandable (see page 24 of Appendix III). However, they would like to have more information on the components of “All Other” in Chart 4, *Net Cost of the U.S. Government:2008*. All Other represented the largest percentage of net cost in FY 2008. In addition, participants believed that the significant increase in the Department of Veterans Affairs’ (VA) contribution to net cost may be an indication of an accounting problem. They would have liked more information to explain the reason for the significant change. Also, they would have liked to see a trend of net cost like the trend in revenues in Chart 3.

Regarding page 7, Chart 5, *Current Trends are not Sustainable*, (see page 27 of Appendix III) participants noted that they would have more confidence in a shorter projection period. They noted that they could not think about issues that far into the future. They would like to have seen a presentation of best case and worst case scenarios and they were wondering how much of the costs were fixed versus variable and the sensitivity of the information to interest rates.

Concerning page 10, *A Snapshot of the Government’s Financial Position and Condition*, (see page 30 of Appendix III) participants stated that they were not sure whether “Other” was a revenue or cost and believed that the line item should be explained. Also, participants noted that they did not understand the terms liabilities, assets, and net position. However, it appears that the liabilities amount keeps growing. In addition, participants noted that they did not understand the “Sustainability Measures” section and the term “Unified Budget Deficit.” Moreover, it seems that the order of the data should be reversed to 2006, 2007, 2008 to be consistent with the order in the charts presented earlier in the document.

Additional Information

Non-financial performance information would have been helpful and could be related to the financial information. However, a participant noted that he would expect agencies to present performance metrics that were favorable to them, implying that the information might not be as objective or unbiased as it could be.

**Federal Financial Reporting User Needs Study
Citizens Focus Group Discussion – Dallas, TX
August 13, 2009**

Purpose

The purpose of the discussion was to determine what information should be provided to citizens to assist them in assessing the federal government's accountability and in making decisions with respect to the federal government. Ultimately, staff intends to develop an inventory of user needs. This discussion was the second of two focus group discussions with citizens.

Scope and Methodology

The FASAB staff, with assistance from the GAO Applied Research and Methodology (ARM) staff, conducted focus group discussions with citizens in Boston and Dallas to learn what information should be provided about the federal government. Also, the focus groups could provide insights on how financial reports²² could be improved to facilitate their use for assessing accountability and decision-making. Focus groups are not designed to be a statistical representation of a population. However, they provide qualitative information on the attitudes, perceptions, and feelings of a group of individuals to help develop insight into a particular area.

This focus group involved 14 randomly selected adults in Dallas Texas. The participants were asked about the information they should receive regarding the financial health of the federal government and the sources of information they currently use. Also, participants were asked to review *A Citizen's Guide to the 2008 Financial Report of the U.S. Government* (Citizen's Guide), to better understand the types of information citizens should receive about the federal government's financial health and how the information should be presented.

Introduction

Moderator Walter Vance explained the objective of the discussion and reminded participants that there are no wrong answers.

²² For the purposes of this document, the phrase "financial report" refers to the financial statements, notes to financial statements, required supplementary information (including management's discussion and analysis), required supplementary stewardship information, and other accompanying information.

Information about the Financial Health of the Federal Government

The participants noted that they are interested in financial information about the federal government. They would like to know how their tax dollars are being spent and what were the results achieved. They also want to stay abreast of financial issues and they seek information from newspapers, talk radio, Internet (Google money pages), conversations with friends, and television programs such as CNN. Television would be the most common source. Participants preferred these sources because of their availability, reliability, and convenience and noted that television frequently discusses economic information along with other topics of interest to them. However, if they specifically sought financial information about the federal government, they would likely perform a Google search of the internet. They believed that some sources are more credible than others. For example, they thought that CNN would be more credible than an individual's blog. Another participant stated that he would like to hear a commentator who explains the basis for his or her view. That way he could understand the commentator's perspective and then "pick apart" what is believable.

However, participants appeared to be mixed about whether they would seek information from a federal government's website. Some thought that a federal government's website would be more credible than the media such as a newspaper. Others expressed that they would not necessarily trust financial information directly from the federal government. They would prefer the information from an independent source. A participant pointed out that a political party may present information to support their view or an agency would only provide information to make them look good to the public. One participant stated, "They are going to say what they believe we want to hear." "A federal agency would not be candid and discuss their problems." In addition, they thought that one would need to be a government employee to navigate a government website. Participants felt that government websites are not intuitive.

Participants expected that Congress would rely on experts such as economists to provide the information they need for decision-making. Congress would also need to know what citizens want so they know where funds should be spent and they should consider the budget so they know how much can be spent. Overall, they believed that there is enough information about the federal government's finances, but it may be difficult locating reliable sources of the information.

Overall Comments on the Citizen's Guide

Participants believed that the Citizen's Guide is an important document. A participant stated, "Everyone in America should have this," and other participants generally agreed. Some believed that the Guide should be made available but if it were mailed, most individuals would not read it. It could be made available on the internet, at the library, provided with tax forms, or available at the voting booth. However, some participants expressed concern about posting documents to the internet because individuals such as their grandparents do not use the internet. Others were somewhat concerned about

the cost of mailing the document, especially if some individuals would not read it. Also, the Guide should include a survey asking citizens where they believe their money should be going or how funds should be allocated.

However, participants did not understand key terms in the document. They believed that the Guide included redundant charts and information.²³ Therefore, it could be streamlined. Participants also acknowledged that the Guide included a “Find Out More” section that provided references to additional information if they wanted to see more details.

They also believed that financial information about the federal government is very important. One participant stated, “Financial information is important because it drives everything.” They noted that they would like to see more information on the amount of borrowing from other countries, information on interest rates [for their personal financial decisions], and a breakdown of where tax dollars are being spent.

Comments on Particular Contents of the Citizen’s Guide

Participants felt that page 1 of the Citizen’s Guide (see page 21 of Appendix III) provided information showing that “the economy is in bad shape,” and they liked the fact that it represented the entire federal government rather than each individual agency. It was believed that showing each agency would have been voluminous. Participants felt that they understood the term “net operating cost,” but they were not sure of its components. They believed that net operating cost was the amount of salaries and other expenses to provide programs. However, they did not seem to consider that revenues were a part of the net operating cost calculation. A participant stated that a footnote explaining the calculation of net operating cost would have been helpful.²⁴

Concerning page 2, (see page 22 of Appendix III) participants expressed that they believed that the cost of social programs would become a significant part of “GDP.” However, they noted that they did not understand the term “debt held by the public.” Some believed that it was not clear whether the amount included private sector and public sector debt or the credit card debt of citizens. They also noted that they did not understand the meaning of “GDP.” Participants wanted to know how did the preparers of Chart 2, *Debt held by the Public*, calculate the graph. The projection goes to FY 2080 and a participant asked, “How did they achieve that number?” Another participant noted that the chart is probably trying to communicate that “we need to balance the budget.”

Participants believed that page 3 (see page 23 of Appendix III) discussed the different sources of revenues and that this page seemed to be clearer than the presentations on

²³ For example, some participants referred to Chart 2, “Debt Held by the Public,” as showing “costs.” “Costs” are also shown in Chart 1, *U.S. Budget Deficit & Net Operating Cost*, and Chart 4: *Net Cost of the U.S. Government: 2008*. This lack of understanding may have caused them to believe that they were reviewing the same information throughout the document.

²⁴ A brief explanation of net operating cost is provided on page 4 of the Guide.

pages 1 and 2. A participant stated that page 3 sounds like facts, but the language on page 2 sounded like “guessing.”

Regarding page 4, (see page 24 of Appendix III) participants stated that Chart 4, *Net Cost of the U.S. Government: 2008*, shows who received money. However, they thought that the highest percentage went to “All Other.” They would like to see a breakout or explanation of “All Other.” It was noted that page 4 did include an explanation for the significant increase in the Veterans Affairs’ net cost. In addition, terms such as “actuarial liabilities” and “Interest on Debt held by the Public,” were not clear.

With respect to pages 7 and 8, (see pages 27 and 28 of Appendix III) participants noted that it appears that the federal government will have to spend more money in the future. Also, they noted that Chart 5, *Current Trends are Not Sustainable*, the title, “Current Trends are Not Sustainable” is a statement rather than a title. This contributed to some confusion regarding the purpose of the chart. In addition, participants noted that terms and phrases like GDP and World War II were mentioned earlier in the document, but discussed on pages 7 and 8.

Concerning page 10, (see page 30 of Appendix III) the participants felt that “A Snapshot of the Government’s Financial Position & Condition” was difficult to understand. They believed that the table showed that “we” were better off in 2006 and 2007 than in 2008. Also, it seemed that the order of the presentation should be reversed – show 2006, 2007, and 2008 rather than 2008, 2007, 2006. Also, participants were not sure of terms such as “assets,” “open group,” “closed group,” and “unified budget deficit.” One participant believed that assets referred to revenues minus costs, while another believed it referred to amounts from a previous chart in the document. Participants also believed that “Other Liabilities” should be explained.

A Citizen's Guide to the 2008 Financial
Report of the United States Government

**THE FEDERAL
GOVERNMENT'S
FINANCIAL HEALTH**

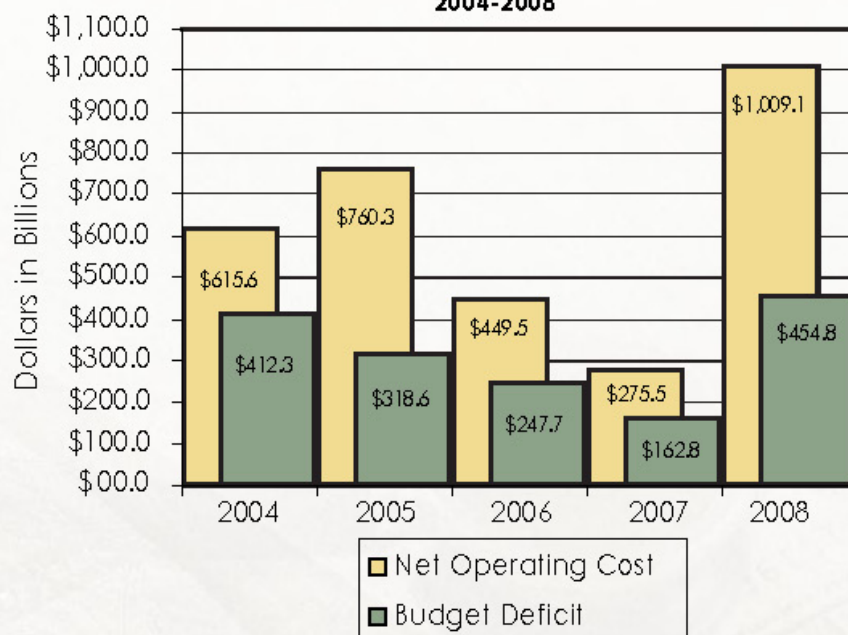
A collage of financial symbols including a gold scale, a clock, a line graph, and coins. The background is a light, textured surface. A gold scale is prominent in the center, with its pans and base visible. To the right, a clock face shows the numbers 10, 11, and 12. A red line graph with several peaks and valleys is overlaid on the scene. In the foreground, there are numerous gold coins, some of which are stacked. A US dollar bill is partially visible, showing the words "ONE HUNDRED DOLLARS" and "UNITED STATES OF AMERICA".

A Citizen's Guide to the 2008 Financial Report of the U.S. Government

OVERVIEW

Fiscal Year (FY) 2008 was a year of unprecedented change in the financial position and condition of the U.S. Government, with potentially more changes in the near future. The Government's net operating cost and budget deficit both more than doubled during FY 2008. Chart 1 shows that the net operating cost increased from \$276 billion in FY 2007 to just over \$1 trillion in FY 2008, and the budget deficit jumped to \$455 billion, compared with a deficit of \$163 billion in FY 2007. These increases were due in part to the developing weakness in the economy throughout 2008 and to the Administration's response to that weakness. Due to the weakening economy, corporate tax revenues declined by \$68 billion. Net operating cost increased, mainly due to large increases in revaluations of long-term employee and veteran benefits payable. See *'Where We Are Now'*, p.3.

Chart 1
U.S. Budget Deficit & Net Operating Cost
2004-2008

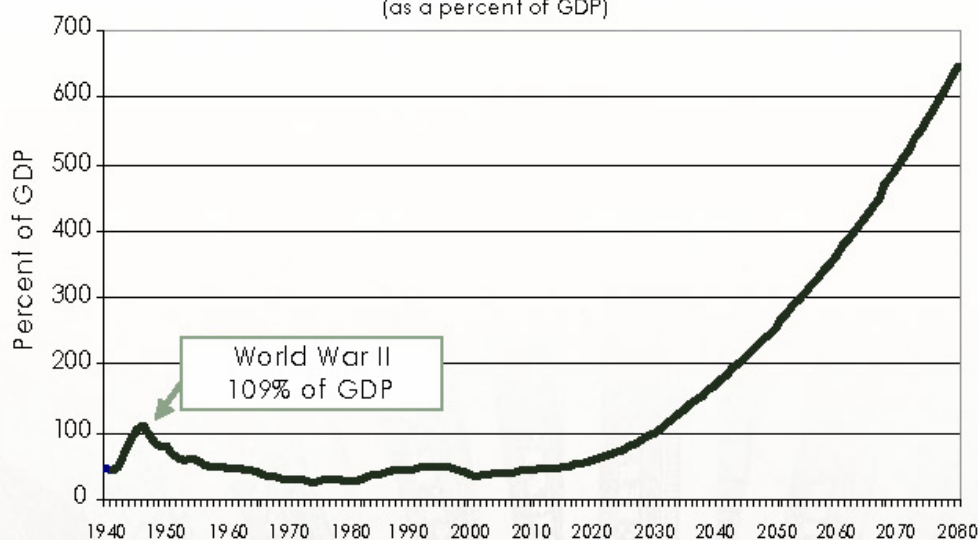


The unprecedented volatility in the Nation's mortgage and credit markets in 2008 has led to extraordinary actions by the Government intended to limit the extent of this turmoil. Congress passed and the President signed the Housing and Economic Recovery Act (HERA) and the Emergency Economic Stabilization Act of 2008 (EESA) in an effort to stabilize the financial sector and protect the economy. Other actions with large financial consequences have been taken by the Federal Reserve, the central bank of the United States. So far, the largest financial effects of these actions have not yet appeared in the financial statements or the budget, but they will show up in FY 2009, and they will likely result in continued historically high budget deficit and net operating cost levels. See *'The Government Acts to Address the Financial Crisis'*, p. 5.

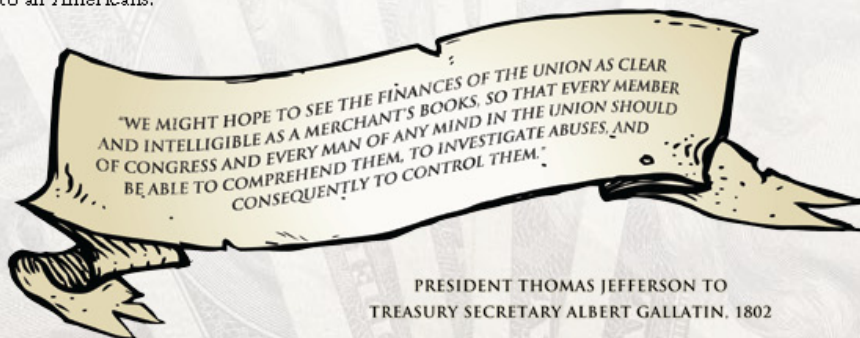
A Citizen's Guide to the 2008 Financial Report of the U.S. Government

The Government's immediate challenge is to deal with the current financial crisis and the resulting economic recession. Net operating costs and budget deficits are likely to remain elevated for some time as the Government works to restore market stability. If the Government is to retain the ability to manage a financial crisis such as the one today, it must eventually address the long-term fiscal imbalance resulting from Social Security, Medicare, and Medicaid. The Government's fiscal policies for these programs as currently structured are not sustainable. Without changes, spending for Social Security, Medicare, and Medicaid would permanently and dramatically increase the Government's budget deficit and debt, leading eventually to renewed financial and economic instability. See *'Where We Are Headed'* p. 7.

Chart 2
Debt held by the Public
(as a percent of GDP)



This Citizen's Guide (Guide) highlights important information contained in the 2008 Financial Report of the United States Government. The Secretary of the Treasury, Director of the Office of Management and Budget (OMB), and Acting Comptroller General of the United States believe that the information discussed in this Guide is important to all Americans.



WHERE WE ARE NOW

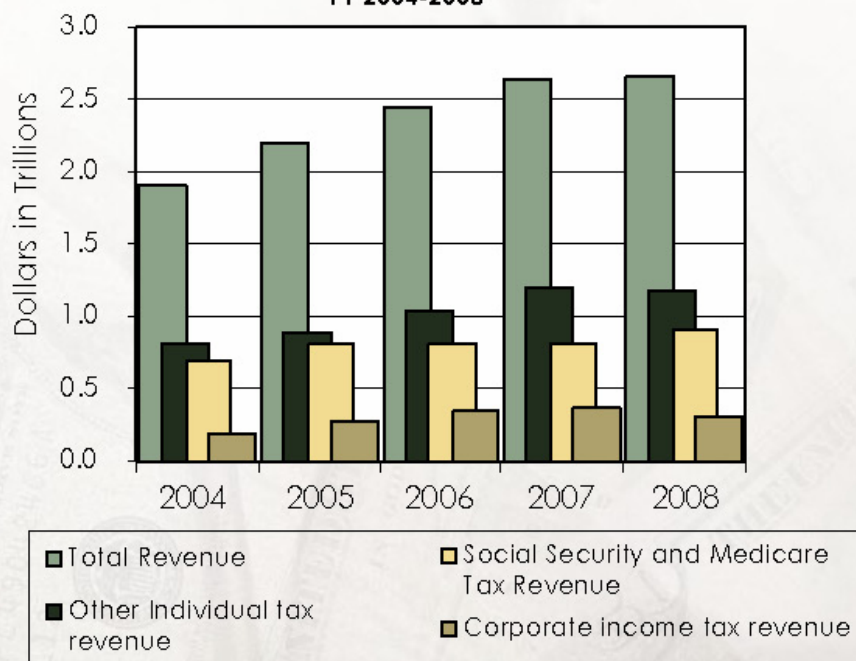
The Economy and the Deficit

The economy fell into recession in FY 2008. The ongoing slump in the residential homebuilding sector and the effects of record high energy prices and turmoil in financial markets dampened both consumer spending and private business investment. Employment declined steadily beginning in January 2008 with a loss of about 1 million jobs through the final quarter of FY 2008. Overall inflation accelerated through much of the year because of significant increases in energy and food prices, but the core inflation rate (which excludes food and energy) was more stable. Partly as a result of higher inflation, real wages fell through FY 2008. Corporate profits, outside the energy sector, weakened or declined. Federal tax receipts remained relatively constant, and spending growth accelerated. As a result, the 2008 budget deficit increased to \$455 billion – more than double the 2007 deficit of \$163 billion.

What Came In and What Went Out

What came in: In FY 2008, Government revenue totaled \$2.7 trillion. Chart 3 shows that total Government revenue remained relatively constant, compared to FY 2007, increasing slightly by \$34 billion or just over 1 percent. Individual income tax revenue increased by \$79 billion or almost 4 percent, but corporate income tax revenue substantially decreased by \$68 billion or 18.4 percent in FY 2008. The corporate revenue decrease is attributable largely to changing economic conditions as the economy entered a recession in December 2007. Social Security tax revenue of \$671 billion and Medicare tax revenue of \$197 billion accounted for approximately one-third of total revenues in FY 2008.

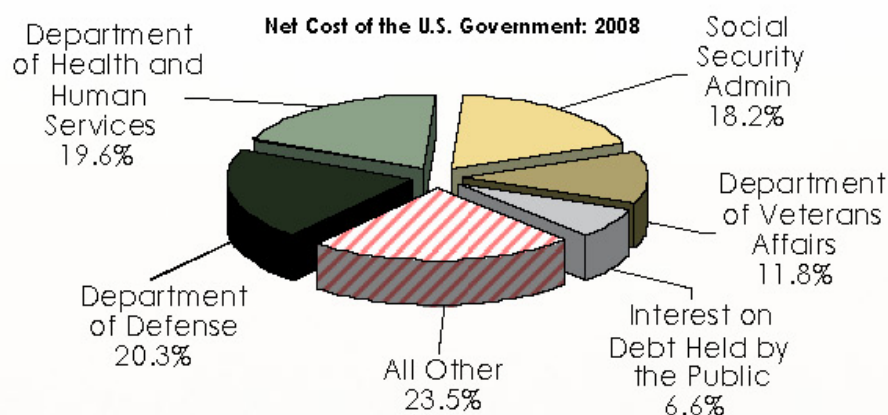
Chart 3
Revenues of the U.S. Government
FY 2004-2008



A Citizen's Guide to the 2008 Financial Report of the U.S. Government

What went out? The Government's net cost totaled \$3.6 trillion, an increase of \$731 billion or more than 25 percent over FY 2007. The Government's "bottom line" net operating cost—the difference between revenue and net cost—exceeded \$1 trillion for the first time—more than triple the FY 2007 net operating cost of \$276 billion. Chart 4 shows that the largest contributors to the Government's net cost include the Departments of Health and Human Services (HHS) and Defense (DoD), the Social Security Administration, and the interest paid on debt held by the public. In FY 2008, the Department of Veterans Affairs' (VA) contribution to net cost increased from just over 2 percent or \$59.4 billion in 2007 to nearly 12 percent or \$430.4 billion, as shown in Chart 4 in FY 2008.

Chart 4



This \$371 billion increase (in net cost) stems almost entirely from a \$339 billion increase in VA's estimated actuarial liabilities for veterans' benefits. This net cost increase was the largest by far at VA in recent years and accounted for more than half of the increase in total net cost across the Government. The substantial reestimation of VA's actuarial liabilities was driven largely by changes in the discount rates used and in revised estimates of the number of veterans that became eligible for and applied to receive benefits. The Financial Report contains additional information about these and other changes.

Cost vs. Deficit: What's the Difference?

In FY 2008, the Government's budget deficit of \$454.8 billion (budget basis reporting) was \$554.3 billion less than its net operating cost (from the Financial Report) of just over \$1 trillion. Table 1 shows that almost the entire difference between the Government's budget deficit and net operating costs in FY 2008 can be attributed to a \$550 billion increase in net accrued but unpaid Federal employee and veteran benefits. This amount is not included in the Budget, but is recognized as a cost and liability in the financial statements, because it is cost that has not yet been paid.

Table 1: Budget Deficit vs. Net Operating Cost

Dollars in billions	2008	2007
Budget Deficit	\$454.8	\$162.8
Change in:		
Federal Employee and Veteran Benefits Payable	\$549.8	\$90.1
Environmental & Disposal Liabilities	\$0.8	\$36.8
Capitalized Fixed Assets, Net	(\$46.6)	(\$2.6)
Other	\$50.3	(\$11.6)
Net Operating Cost	\$1,009.1	\$275.5

A Citizen's Guide to the 2008 Financial Report of the U.S. Government

The *President's Budget* (Budget) is the Government's primary financial planning and control tool. It describes how the Government spent and plans to spend its money, comparing *receipts*, or cash paid to the Government, to primarily cash-based *outlays*, or payments to individuals, businesses or other parties. The *Financial Report of the United States Government* (Report) reports on the accrual-based cost of operations, the sources used to finance the Government's *costs*, how much the Government owns and *owes*, and the outlook for fiscal sustainability. It compares the Government's *revenues*, or amounts that the Government has collected and expects to collect, but has not necessarily received, to its *costs* to derive net operating cost. Together, the Budget and the Report present a complementary perspective on the Nation's financial health and provide a valuable management tool for the country's leaders.

The Debt

Historically, the Government has incurred debt: (1) when it borrows from the public to fund budget deficits, and (2) when Government funds invest excess receipts in government securities. However, in FY 2008, this relationship has changed, with Treasury borrowing \$300 billion to increase cash balances at the Federal Reserve (Fed) to support the Fed's market stabilization efforts (discussed later in this Guide). The implementations of both HERA and EESA have the potential to increase future borrowings by more than \$1 trillion. Substantial borrowings in FY 2009 and beyond are expected to fund equity and other asset purchases in financial institutions and from the markets.

Of the Government's total debt of about \$10 trillion at the end of FY 2008, approximately \$5.8 trillion was debt held by the public in the form of Treasury securities, such as bills, notes, and bonds. The 'public' consists of individuals, corporations, state and local governments, Federal Reserve Banks, and foreign governments. The balance—more than \$4.2 trillion—was intragovernmental debt, which arises when one part of the Government borrows from another. It represents debt held by Government funds, including the Social Security (\$2.4 trillion) and Medicare (\$378 billion) trust funds. These Government funds are typically required to invest any excess annual receipts in Federal securities. When the Government borrows these excess receipts, it still has an obligation to repay them to the Government funds with interest.

Gross Federal debt (with some adjustments) is subject to a statutory ceiling (i.e., the debt limit), which has been recently raised to \$11.3 trillion.

If budget deficits continue, the Government will have to borrow more from the public in order to make benefit payments and to pay for other programs. This Guide examines these and other indicators of the challenges the Government will face in maintaining long-term fiscal sustainability.

The Government Acts to Address the Financial Crisis

Falling asset values in the mortgage and credit markets sparked extraordinary events and actions involving many financial institutions in the United States in 2008. Much of the recent market instability can be attributed to the decline in the housing market aggravated by the recession that began in December 2007. Declines in the value of mortgage-backed securities (MBS) and sub-prime credit market debt precipitated significant portfolio losses across many financial and credit institutions that had invested heavily in these instruments in recent years. These losses led to financial market instability, forced mergers, and bankruptcies. A sharp reduction in credit availability resulted as banks and financial institutions struggled to maintain solvency in the face of these widespread losses. The large Government Sponsored Enterprises (GSEs)¹ Fannie Mae and Freddie Mac, which create and guarantee MBS, were placed into conservatorship. Other financial institutions required large infusions of Federal funds to remain in business.

Exhibit 1 on the following page summarizes significant actions taken by the Federal Government to respond to these events. Further information is reported in the 2008 Financial Report.

1. GSEs are chartered by the Federal Government and pursue a Federally-mandated mission (e.g., Fannie Mae and Freddie Mac were created to provide stability and liquidity in the secondary mortgage market). However, Fannie Mae and Freddie Mac were both distinctly established as corporate entities—owned by shareholders of stock traded on the New York Stock Exchange. Their debt is not guaranteed by the Federal Government.

A Citizen's Guide to the 2008 Financial Report of the U.S. Government

Exhibit 1 - The Fiscal Crisis at a Glance

The Federal Government is taking unprecedented actions, some of which are summarized below, to stabilize the economy. The impact of these actions will largely be reflected in the FY 2009 financial statements and beyond.

Housing and Economic Recovery Act (HERA) (July 2008) – HERA established a new regulatory agency, the Federal Housing Finance Agency (FHFA), with enhanced regulatory authority over the housing GSEs. HERA also authorized the Treasury Department to provide financial support for the housing GSEs. Treasury, in conjunction with the FHFA's decision to place Fannie Mae and Freddie Mac into conservatorship, has agreed to: (1) provide capital of up to \$200 billion to Fannie Mae and Freddie Mac should it be needed; and (2) purchase GSE-guaranteed MBS. As of September 30, 2008, the Federal Government's financial statements recognized a liability for \$13.8 billion of capital to be paid to Freddie Mac, investments of \$3.3 billion for purchased MBS, and \$7 billion for preferred stock and stock warrants received from the GSEs. Additionally, Treasury established a facility to lend money to Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, if requested. Also, the HOPE for Homeowners Program was established under HERA to help borrowers faced with foreclosure refinance through the Federal Housing Administration (FHA).

Emergency Economic Stabilization Act (EESA) (October 2008) – Under EESA, Treasury established the Troubled Asset Relief Program (TARP), which was authorized by the Act to purchase or insure up to \$700 billion of "troubled assets" to stabilize financial markets and support financial institutions. As of December 9, 2008, Treasury has used over \$200 billion in FY 2009 to purchase financial assets of qualifying entities. As FY 2009 unfolds, the disposition of the balance will be determined. Amounts expended have been and are expected to continue to be treated as either investments or loans. The Government expects a recovery of at least some of these funds and possibly even to earn a positive return on amounts spent as economic conditions improve. In the short term, Treasury will need to increase borrowings. As these borrowings take place, Treasury's ability to borrow for other purposes may become more challenging. In addition, the Federal Deposit Insurance Corporation (FDIC) deposit insurance was temporarily increased from \$100,000 to \$250,000 per depositor.

Also, the FDIC implemented a temporary liquidity guarantee program for participating institutions to guarantee newly issued senior unsecured debt and to provide full coverage of non-interest bearing deposit transaction accounts, regardless of dollar amount. Further, through the Supplementary Financing Program, Treasury increased its deposit balances with the Federal Reserve (Fed) to support the Fed's market stabilization actions, which resulted in an increase in cash and debt held by the public. As of September 30, 2008, the deposit balance was \$300 billion.

In addition to these actions, the Fed has been directly involved in addressing this financial crisis. They (1) have taken actions to support several prominent financial institutions, including Bear Stearns, American International Group (AIG), and Citigroup; (2) have developed a program to support the commercial paper market; and (3) are formulating plans to lend support for new car, student, and small-business loans. The vast majority of Fed actions and transactions will not directly impact the Government's financial statements since the Fed is an independent organization and not considered a part of the Federal reporting entity. As such, their financial results are not consolidated into the Government's financial statements. However, there is a potential that reduced Fed earnings will be available in the future for transfer to the Government.

Information on these and the Government's other market stabilization efforts under EESA may be found at <http://www.treas.gov/initiatives/eesa/>

A Citizen's Guide to the 2008 Financial Report of the U.S. Government

Where We Are Headed

As the first quarter of FY 2009 draws to a close, the Government is exploring a number of recovery strategies. Actions under HERA, EESA, and other initiatives are expected to restore confidence to lenders and consumers, and provide stability to the nation's economy. Regardless, the dramatic measures that the Government has already taken and may take in the future could in the long term significantly impact fiscal sustainability. Despite the urgency with which the Government must act in the short term to restore market stability and emerge from the current recession, it must not lose sight of other key issues such as the entitlement programs that continue to pose a challenge to future fiscal sustainability.

An Unsustainable Fiscal Path

The projected growth in entitlement spending under current law – chiefly for Social Security, Medicare, and Medicaid – will ultimately affect every citizen in the nation. Continued growth in health care costs is expected to cause government spending for its major health programs to grow faster than both the economy and Federal revenues over the next 75 years². Similarly, population aging is expected to cause the Government's Social Security and health program costs and expenditures to increase as a share of GDP over that period. Consequently, total Government expenditures are projected to exceed total assumed revenue throughout the projection period, with the fiscal imbalance – between spending and revenue – growing larger each year into the future.

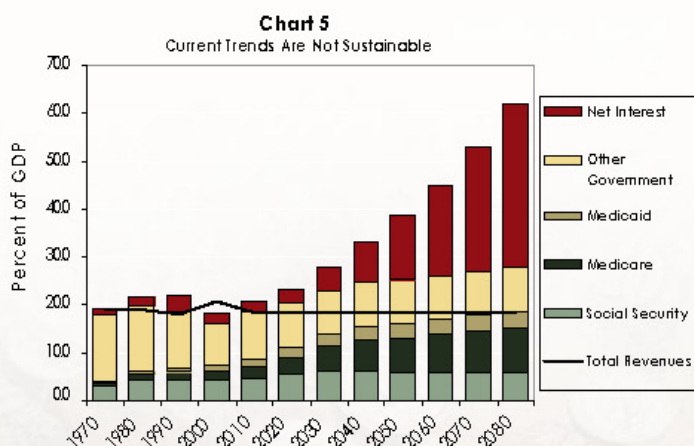


Chart 5 shows Government revenue and spending, expressed as a percentage of GDP, from 1970 through 2080³. For most of the past several decades, revenue as a share of GDP has averaged around 18 percent, with little variation⁴. For this reason, revenue is assumed to be about 18 percent of GDP throughout the projection period. Chart 5 also shows that by 2080, costs related to the currently scheduled benefits for the three major entitlement programs are projected to be about equal to total Government revenue. By 2060, total Government expenditures are projected to be 45 percent of GDP – levels unseen since World War II, when Government expenditures reached 44 percent of GDP. By 2080, expenditures could exceed 60 percent of GDP, more than three times the assumed

2. The FY 2008 Statement of Social Insurance may be found in the 2008 Financial Report.

3. Projected spending is based on scheduled Social Security and Medicare benefits and current spending trends.

4. GDP is one way of measuring the size of a nation's economy and is defined as the total market value of all final goods and services that the nation produces in a given period. The projection that the government's revenue as a percentage of GDP will remain relatively constant is based on historical data and trends that are not expected to change.

A Citizen's Guide to the 2008 Financial Report of the U.S. Government

revenues. These large and growing deficits could increase Government debt levels as a percentage of GDP to unprecedented and unsustainable heights – from 170 percent by 2040 to over 600 percent by 2080 – far exceeding the historical high of 109 percent that occurred immediately following WWII and far exceeding the Government's ability to fund program expenditures. It is important to note that precise expenditure projections change with different forecasting assumptions (e.g., life expectancy increases and health care cost growth), but even under a wide range of reasonable assumptions, budget deficits and debt are projected to increase dramatically⁵. Should such dramatic increases occur, interest costs would increase, making the Federal Government's fiscal path even more unsustainable, and the Government's ability to borrow from the public could be affected.

Preparing for the Future

With respect to entitlement spending, the nation must change course before the deficit and debt reach unprecedented heights. The Government must act to bring social insurance expenses and resources in balance. Delays will increase the magnitude of the reforms needed and will place more of the burden on future generations. There is no simple fix to the projected imbalance between social insurance expenditures and revenues. The precise amount of the Government's future financial responsibilities is far from certain, as they are based on many complex calculations and assumptions. Nevertheless, the magnitude of these responsibilities and the pressing need to control their continued growth are evident.

The Government has made and is expected to continue to make a vast commitment of financial resources to establish and maintain stability in the credit markets. The Government expects that at least some of the financial assets acquired by the Government in its market stabilization efforts may eventually return full value to the taxpayer and possibly even earn a positive return on amounts spent as economic conditions improve. The Government has been able to take these stabilization actions because of the deep, liquid market for Treasury securities. The unsustainable growth in Social Security, Medicare, and Medicaid remains a long-term fiscal challenge to be addressed once the current credit crisis has passed and overall economic conditions have improved.

KEY SUSTAINABILITY DATES

2008	Medicare Hospital Insurance benefits begin to exceed program tax revenues.
2017	Social Security benefits begin to exceed program tax revenues.
2040	Federal Debt held by the Public surpasses historic high of 109% of GDP.
2080	Total Government cost is more than 3 times revenue.*

* Revenue is assumed to be the historical average of about 18 percent of GDP.

5. Chart 5 includes projections of scheduled benefits for Medicare and Social Security. The Medicare Trustees' Report shows that, under current law, the Hospital Insurance Trust Fund will not have sufficient funds to pay scheduled benefits beginning in 2019. At that point, trust fund income would cover only 78 percent of scheduled benefits, falling to about 30 percent in 2082. The Social Security Trust Fund could encounter a similar problem. Under current law, trust fund income would cover only 78 percent of scheduled benefits in 2041 and only 75 percent by 2082.

A Citizen's Guide to the 2008 Financial Report of the U.S. Government

Looking Ahead

The 2008 Financial Report of the United States Government, issued by the U.S. Department of the Treasury, is a comprehensive financial report that provides a backdrop for both the Government's current financial position and prospects for moving forward. It discusses the steps the Federal Government has taken to restore stability in the U.S. financial system. The issues discussed in the Citizen's Guide and the Financial Report affect, and should be of interest to, every citizen. The Financial Report's comprehensive reporting is intended to inform and support the decision-making needs of lawmakers and the public and to help keep the United States on solid financial ground.

Find Out More

You will find more detail on these matters in the Financial Report. You are encouraged to explore the information it contains and to ask questions about how the Government manages taxpayers' money. The 2008 Financial Report of the United States Government and other information about the nation's finances are available at:

- U.S. Department of the Treasury's Financial Management Service,
<http://www.fms.treas.gov/ft/index.html>;
- OMB's Office of Federal Financial Management,
<http://www.whitehouse.gov/omb/financial/index.html>; and
- GAO,
<http://www.gao.gov/financial/fy2008financialreport.html>.

This Citizens' Guide highlights information in the 2008 Financial Report. The Government Accountability Office's (GAO) complete audit report on the U.S. Government's consolidated financial statements can be found beginning on page 165 of the Financial Report. For FY 2008 and FY 2007, GAO issued an unqualified or 'clean' opinion on the 2008 and 2007 Statements of Social Insurance. However, certain material financial reporting control weaknesses and other limitations on the scope of its work prevented GAO from expressing an opinion on the remaining financial statements.

A Citizen's Guide to the 2008 Financial Report of the U.S. Government

The Government's Financial Position and Condition

The Financial Report of the U.S. Government (Report) provides the President, Congress, and the American people a comprehensive view of how the Federal Government is managing taxpayer dollars. It discusses the Government's financial position and condition, its revenues and costs, assets and liabilities, and other responsibilities and commitments, as well as important financial issues that affect the Nation and its citizens both now and in the future.

The following table presents several key indicators of the Government's financial health, which are discussed in greater detail in the Report.

A Snapshot of The Government's Financial Position & Condition

billions of dollars	2008	2007	2006
Gross Costs	\$ (3,891.6)	\$ (3,157.3)	\$ (3,127.7)
Earned Revenues	\$ 250.9	\$ 247.8	\$ 226.4
Net Cost	\$ (3,640.7)	\$ (2,909.5)	\$ (2,901.3)
Total Taxes and Other Revenues	\$ 2,661.4	\$ 2,627.3	\$ 2,440.8
Other	\$ (29.8)	\$ 6.7	\$ 11.0
Net Operating Cost	\$ (1,009.1)	\$ (275.5)	\$ (449.5)
Assets	\$ 1,974.7	\$ 1,581.1	\$ 1,496.5
Less: Liabilities, comprised of:			
Debt Held By the Public	\$ (5,836.2)	\$ (5,077.7)	\$ (4,867.5)
Federal Employee & Veteran Benefits	\$ (5,318.9)	\$ (4,769.1)	\$ (4,679.0)
Other Liabilities	\$ (1,023.1)	\$ (940.1)	\$ (866.4)
Total Liabilities	\$ (12,178.2)	\$ (10,786.9)	\$ (10,412.9)
Net Position (Assets Minus Liabilities)	\$ (10,203.5)	\$ (9,205.8)	\$ (8,916.4)

Sustainability Measures:

The Statement of Social Insurance provides certain fiscal sustainability information concerning Social Security, Medicare, and other social insurance programs.

Statement of Social Insurance: ¹

Closed Group (current participants) ²	\$ (49,135)	\$ (45,062)	\$ (44,145)
Open Group (current + future participants) ³	\$ (42,970)	\$ (40,948)	\$ (38,851)

Budget Results

Unified Budget Deficit	\$ (454.8)	\$ (162.8)	\$ (247.7)
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¹ Present value of projected revenues and expenditures for scheduled benefits over the next 75 years of certain benefit programs that are referred to as Social Insurance (e.g., Social Security, Medicare). Not considered liabilities on the balance sheet.

² Includes current participants (i.e., receiving and/or are eligible to receive benefits) for the Social Security and Medicare programs ages 15 and over at the start of the 75-year projection period, except for the 2007 Medicare programs for which current participants are assumed to be at least 18 years of age at the start of the 75-year projection period.

³ Includes all current and future projected participants over the 75-year projection period.



FOCUS GROUP DISCUSSION GUIDE

Introduction of moderator

Moderator: keep discussion focused and moving through topics at hand, try to ensure that everyone has equal opportunity to express views/provide input; ideally, ensure that all views possible are expressed

Participants: address the questions/issues raised by moderator

About 1 hour and a half, no formal break—drinking fountain and restrooms in hall if needed

Individual comments may be used as examples in reporting, but no statements will be attributed to individuals by name

No wrong answers—all comments and opinions are valued

Diversity of views is not a problem

Ice Breaker: name and hobby—what you like to do when you're not working!

Protocol:

1. How many of you pay attention to information about the finances of the national government—things like the national debt, the deficit, spending for specific programs?

(ask for a show of hands)

- Where do you get this information?
- Why use the sources you use? Is all information equal? Why not—what makes some information sources better than others?

2. What information do you need [to make decisions about the federal government]? Is there information you would like to have, but feel that you don't—either there's not

enough information, you don't believe the information you have—or are there other reasons you feel you don't have important information?

Take a few minutes to review select pages in A Citizen's Guide—say: We are interested in seeing how understandable and helpful you think this information is. We'll talk about it after you've had time to read and think about it.

3. Did you learn anything? What questions do you have about what you've read?

- Ask for someone to explain what the chart means to them—e.g. for Chart 1, is the difference between the budget deficit and net operating cost clear?

4. Is the information in A Citizen's Guide useful? Why or why not? How can the information be used?

5. When making decisions or thinking about the federal government, how important is financial information relative to other types of information? What other types of information are important, and where do you get this information?

6. Do you feel like you have all the information you need, financial or otherwise? If not, what do you see as the biggest obstacles to getting that information?

7. Other than what we talked about before looking at A Citizen's Guide have you thought of any additional information that would be useful?

8. What's the most useful way for the federal government to provide the information you need?

Citizens Survey²⁵

In addition to our focus group discussions with citizens, staff arranged for a research firm to conduct a telephone survey of 1043 randomly sampled adults age 18 and over. Staff designed the survey to learn about the extent that individual citizens desired understandable financial information about the federal government and the information that individual citizens should be provided. The firm conducted the survey during the period September 16 to September 20, 2009 and asked questions to determine the public's perceptions about the importance of understandable information regarding the cost of federal government programs, federal government assets and liabilities, and results of programs.

In addition, during our focus group discussions we observed other topics to examine as part of the survey. We noted that the participants had an interest in cost information, but had difficulty understanding some existing federal government presentations. Also, they expressed skepticism concerning whether information from a federal agency or department would be candid, and they noted that the federal government's Citizen's Guide was an important document that should be made available to all citizens. However, they were not clear on how the Citizen's Guide should be made available. As a result, the survey included questions to determine: the public's perceptions about the federal government's performance in providing information about the cost of programs; the importance of providing understandable financial information about individual agencies and departments; the importance of providing independently audited information; and the public's perceptions on how a summary report can be made available.

Moreover, to facilitate consideration of both the granularity and type (financial and non-financial) of information that citizens should be provided, the survey included an open-ended question regarding what information the respondents believed should be included in a report on the federal government's finances. The results of the survey are discussed below.

1. Perceived Importance of Providing Understandable Cost Information

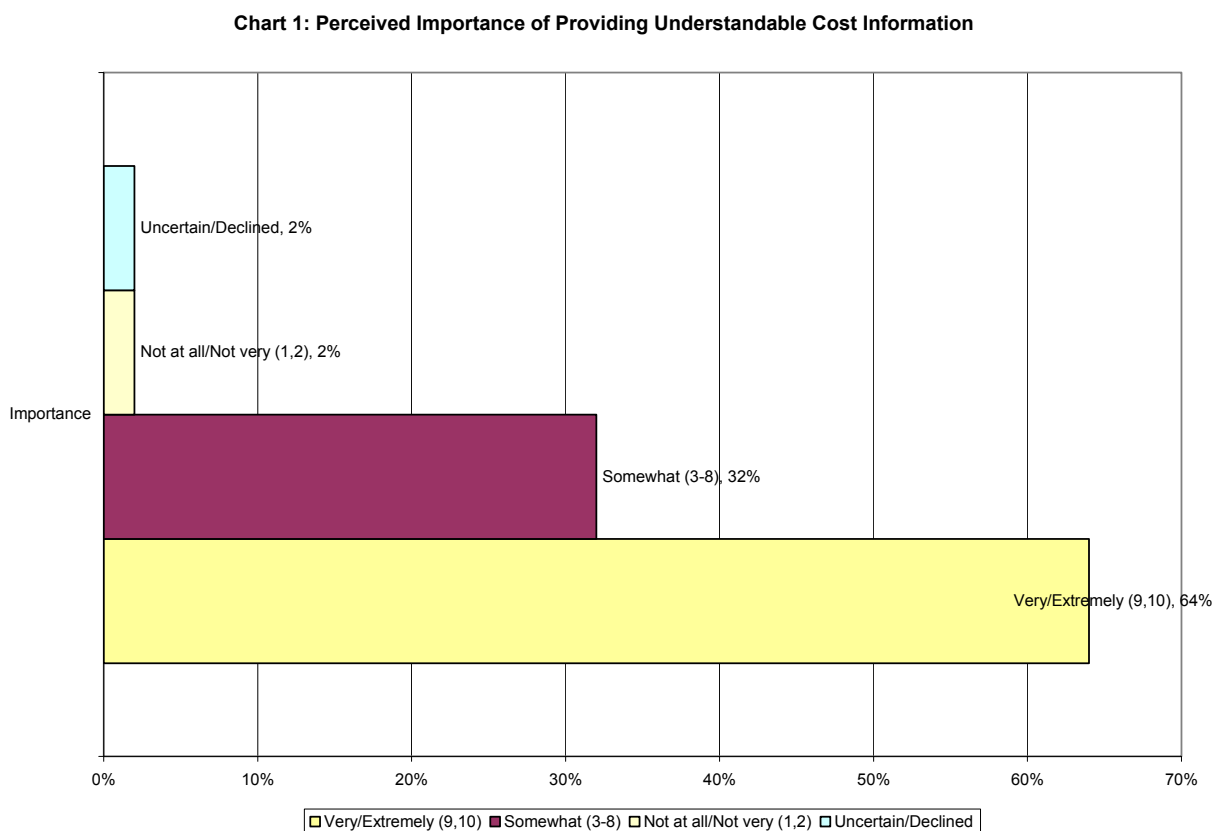
To learn about the public's perception of the importance of providing understandable cost information about federal programs, we asked the following question:

On a scale of 1 to 10, with 10 being extremely important, and 1 being Not at all important, how important is it to you personally that the federal government provides understandable information about the costs of federal government programs?

The public believes that understandable information about the costs of Federal government programs is personally important to them. On a scale of 1 to 10, with 10

²⁵ Percentages in the charts presented may not total 100% due to rounding.

being extremely important, 64% of respondents believed that understandable cost information is very/extremely important (9,10) while only 2% believed that it was not at all/not very important (1,2). In addition, 32% of respondents believe that this information is somewhat important. Chart 1 provides details of the responses.



2. Perceived Performance in Providing Understandable Cost Information

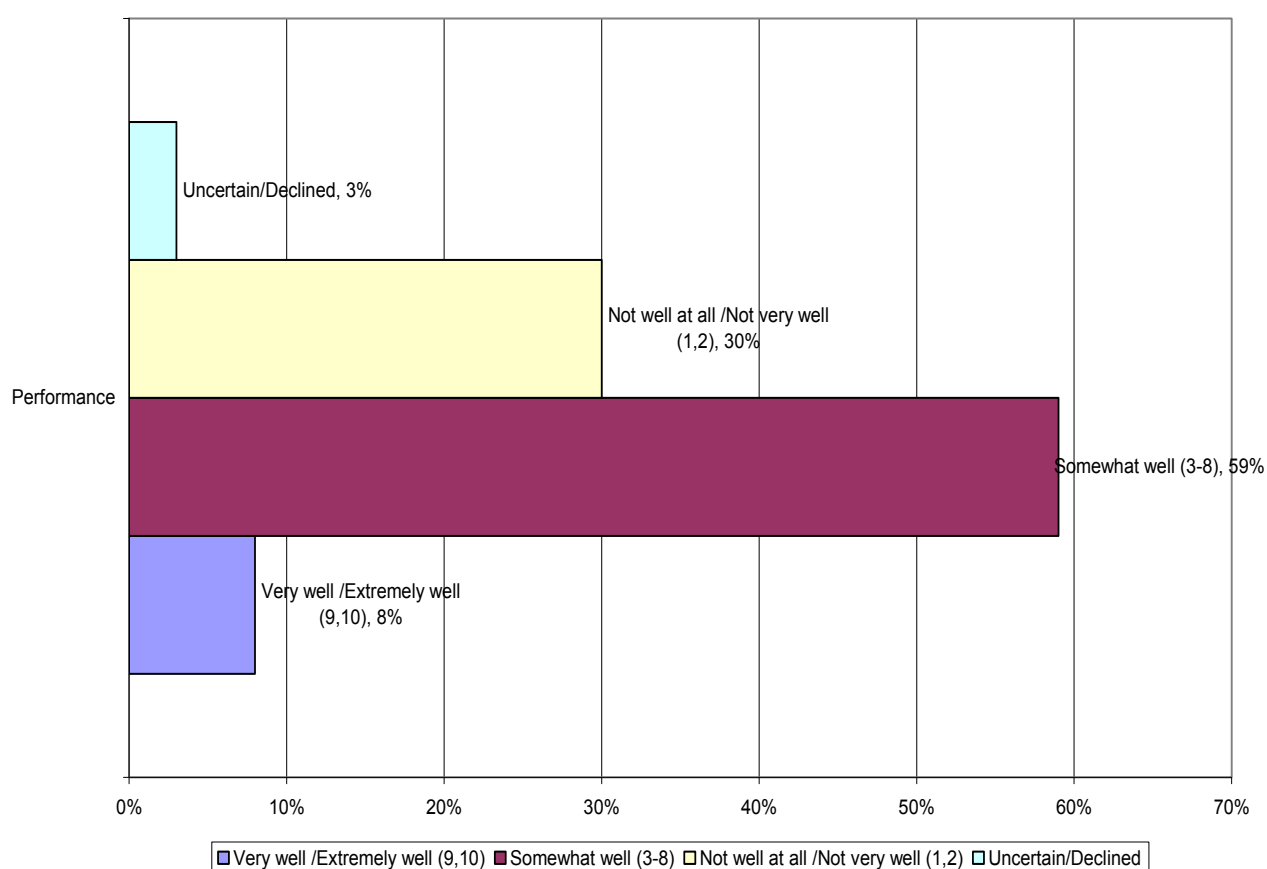
To learn about the public's perception of the federal government's performance in providing understandable cost information, we asked the following question:

On a scale of 1 to 10, with 10 being extremely well, and 1 being not well at all, how well do you think the federal government is performing in providing understandable information about the costs of federal government programs?

Survey respondents noted that improvements could be made in providing understandable information about the cost of federal government programs. On a scale of 1 to 10, with 10 being extremely well and 1 being not well at all, only 8% believed the federal government is performing very/extremely well (9,10) while 30% felt that the

federal government's performance is not well at all/not very well (1,2). Most respondents, 59%, believed that performance is somewhat well (3-8). In comments regarding what additional information they believed was important and during our focus group discussions, citizens indicated that disaggregated cost information and explanations were important. They sought to know information such as salary expenses and the cost of particular programs, and why amounts changed significantly from one period to the next. Chart 2 provides details of the responses.

Chart 2: Perceived Performance in Providing Understandable Cost Information



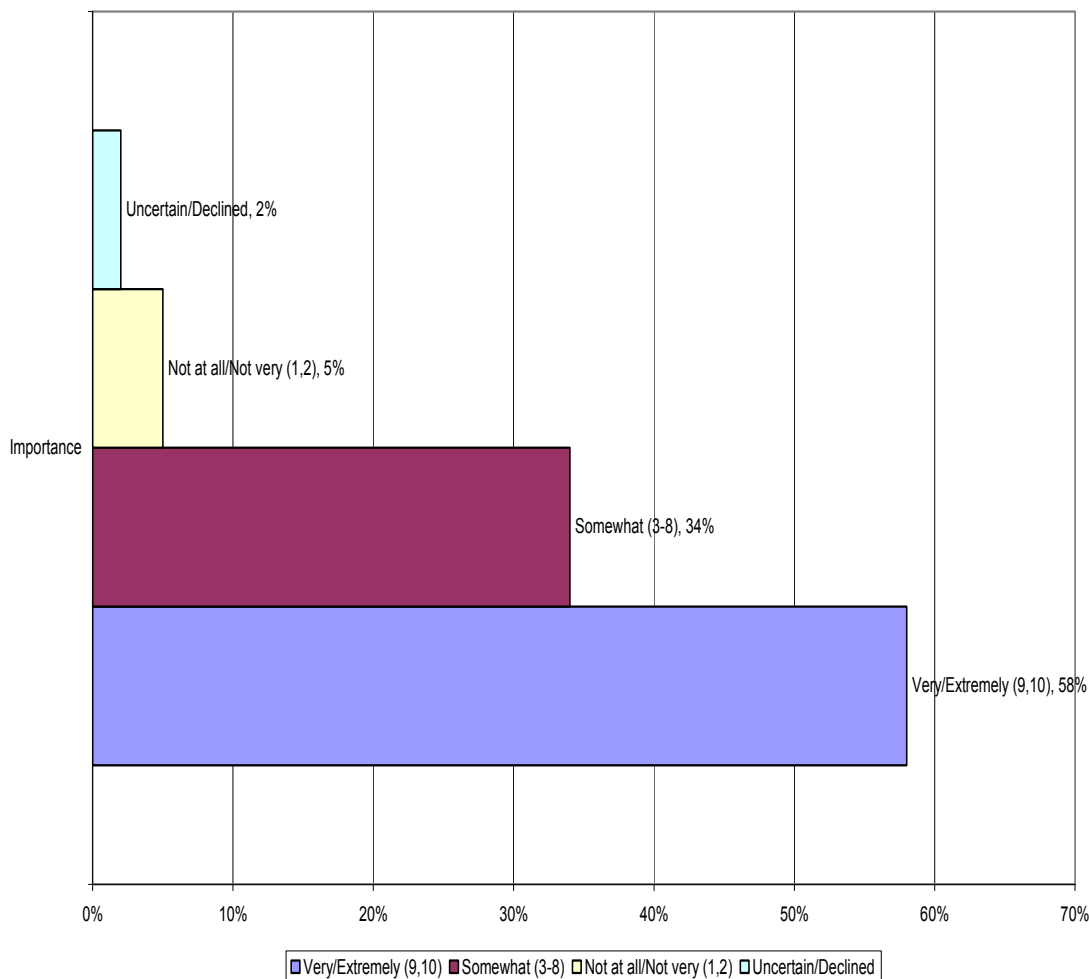
3. Perceived Importance of Providing Understandable Information about Assets

To learn about the public's perception of the importance of providing understandable information about the assets of the federal government, we asked the following question:

On a scale of 1 to 10, with 10 being extremely important, and 1 being Not at all important, how important it is to you personally that the Federal government provides understandable information about the assets of the federal government, that is, understandable information about what the federal government owns?

The public believed that understandable information about the assets of the federal government is personally important to them. On a scale of 1 to 10, with 10 being extremely important, 58% of respondents believed that understandable asset information is very/extremely important (9,10), while only 5% rated the information as not at all/not very important (1,2). Also, 34% of respondents rated this information as somewhat important (3-8). In their comments, survey respondents noted that they would like to know about sources of revenues from federal resources and whether resources are properly managed. Chart 3 provides details of the responses.

Chart 3: Perceived Importance of Providing Understandable Information about Assets



4. Perceived Importance of Providing Understandable Information about Liabilities

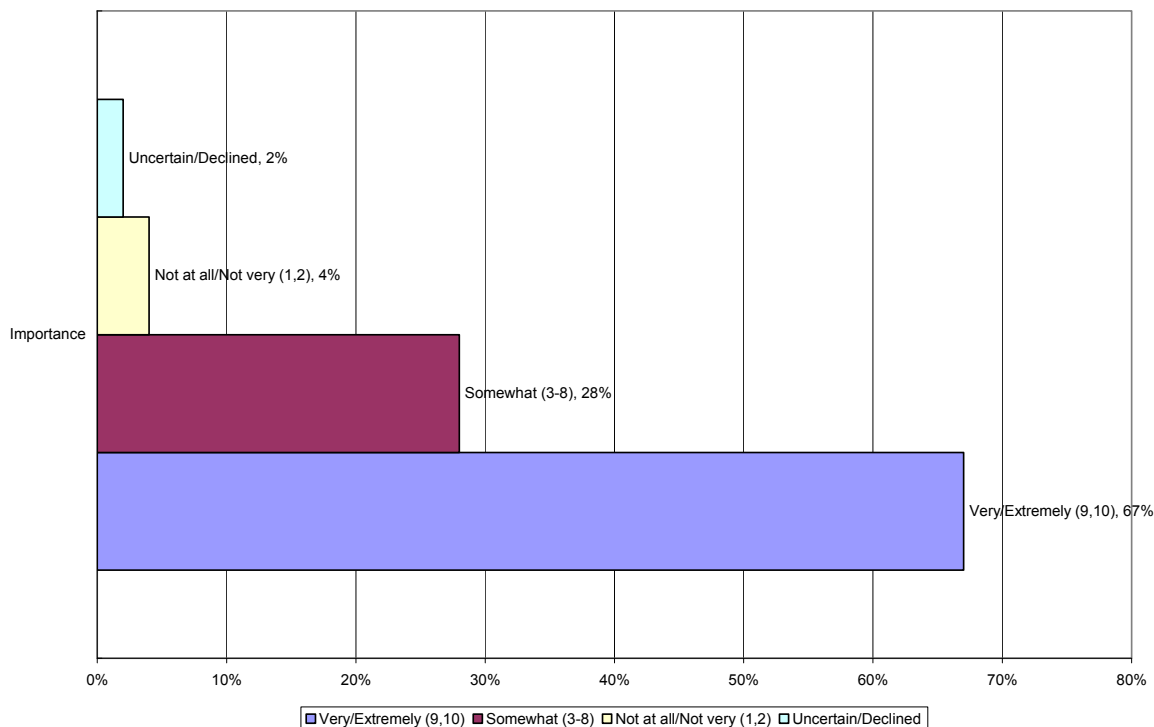
To learn about the public's perspective on the importance of providing understandable information about the liabilities of the federal government, we asked the following question:

On the same scale of 1 to 10, with 10 being extremely important, and 1 being Not at all important, how important it is to you personally that the Federal government provides understandable information about the liabilities of the federal government, that is, understandable information about what the federal government owes to others?

The public believed that understandable information about the liabilities of the federal government is personally important to them. On a scale of 1 to 10, with 10 being

extremely important, 67% of respondents believed that understandable liabilities information is very/extremely important (9,10) while only 4% believed the information is not at all/not very important (1,2). Also, 28% of respondents rated this information as somewhat important (3-8). They wanted information such as the amount owed to foreign countries and the implications of growth in debt – will additional revenues need to be raised through taxes. Chart 4 provides details of the responses.

Chart 4: Perceived Importance of Providing Understandable Information about Liabilities



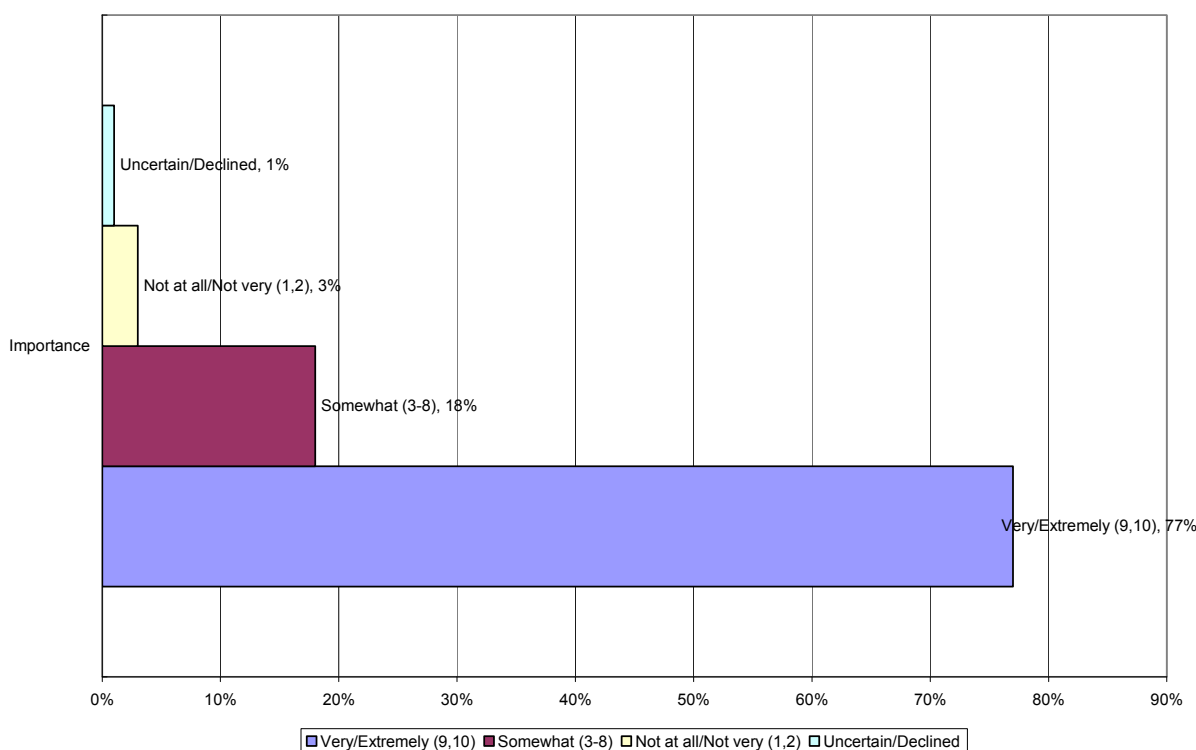
5. Perceived Importance of Providing Understandable Information about the Results of Programs

To learn about the public's perception of the importance of providing understandable information about the results of federal government programs, we asked the following question:

Using the same scale of 1 to 10, with 10 being Extremely important, and 1 being Not at all important, how important it is to you personally that the Federal government provides understandable information about the results of government programs, that is, what did the programs do with the money they were given?

The public believed that understandable information about the results of federal government programs is personally important. On a scale of 1 to 10, with 10 being extremely important, 77% of respondents believed that understandable results information is very/extremely important (9,10) while only 3% believed the information is not at all/not very important (1,2). In addition, 18% of respondents rated this information as somewhat important (3-8). Chart 5 provides details of the responses.

Chart 5: Perceived Importance of Providing Understandable Information about the Results of Programs



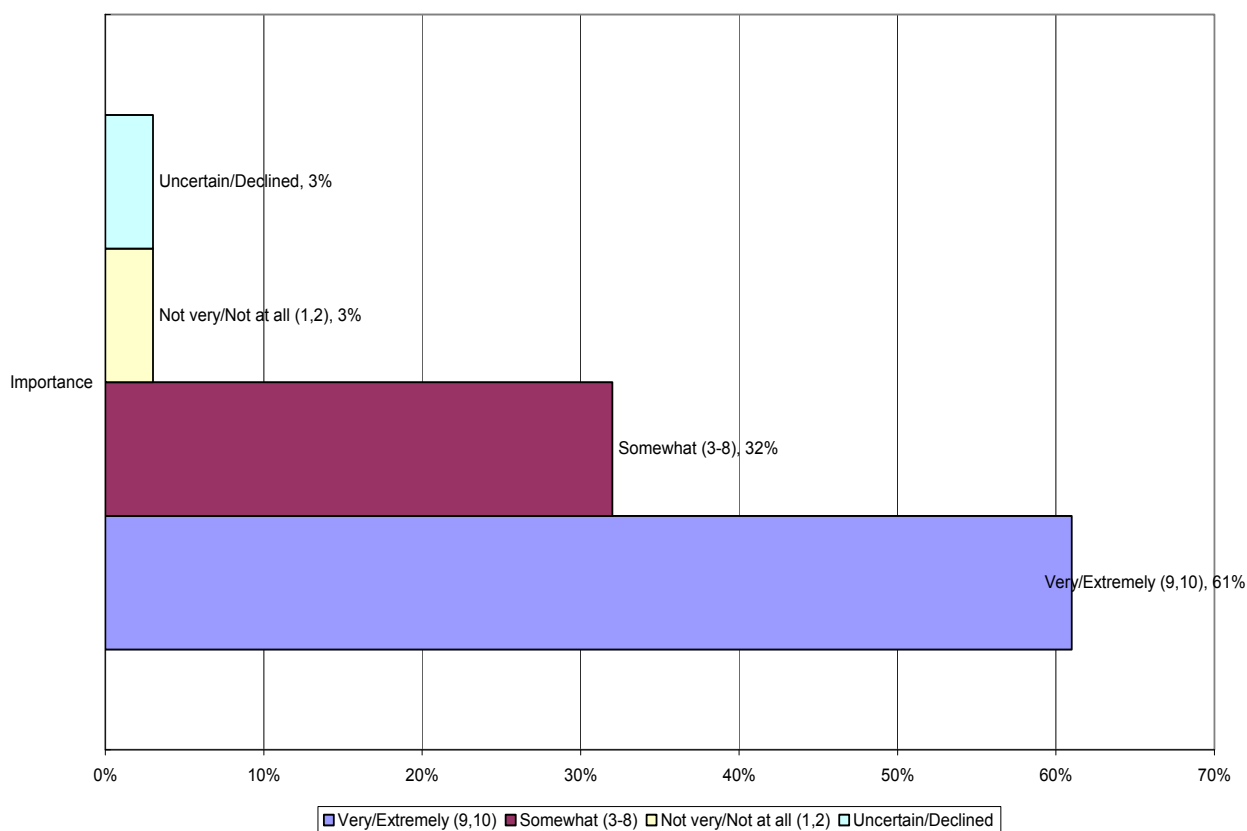
6. Perceived Importance of Providing Understandable Financial Information about Individual Agencies and Departments

To learn about the public's perception of the importance of providing understandable financial information about individual agencies and departments, we asked the following question:

On a scale of 1 to 10, with 10 being extremely important, and 1 being Not at all important, how important it is to you personally that the Federal government provides understandable financial information about individual federal agencies and departments?

The public believed that understandable financial information about individual agencies and departments is important. On a scale of 1 to 10, with 10 being extremely important, 61% of respondents believed that understandable financial information about individual agencies and departments is very/extremely important (9,10) while only 3% believed that the information is not at all/not very important (1,2). In addition, 32% of respondents rated this information as somewhat important (3-8). Respondents indicated that they believed that the federal government should be open and provide full disclosure. Chart 6 provides details of the responses.

Chart 6: Perceived Importance of Providing Understandable Financial Information about Individual Agencies and Departments



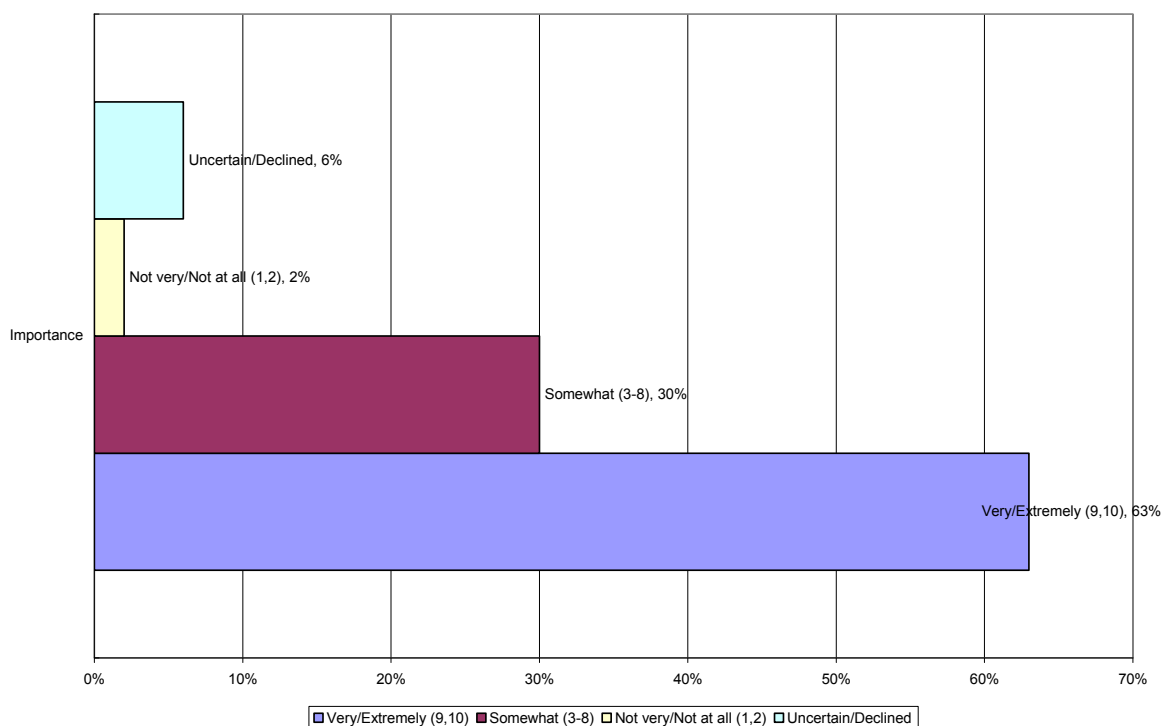
7. Perceived Importance of Providing Independently Audited or Verified Information

To learn about the public's perspective on the importance of providing independently audited or verified financial information about federal government programs, we asked the following question:

Using a scale of 1 to 10, with 10 being Extremely important, and 1 being Not at all important, how important it is to you personally that the financial information about government programs provided by the Federal government be independently audited or verified?

The public believed that it is personally important that the financial information provided by the federal government about its programs be independently audited or verified. On a scale of 1 to 10, with 10 being extremely important, 63% of respondents believed that providing independently audited or verified financial information is very/extremely important (9,10), while only 2% believed that it was not at all/not very important (1,2) . In addition, 30% of respondents rated this information as somewhat important (3-8). Chart 7 provides details of the responses.

Chart 7: Perceived Importance of Providing Independently Audited or Verified Financial Information



Question 8: Perceptions on How a Summary Report could be Made Available

During our focus group discussions, participants stated that financial information about the federal government should be made available to all citizens. However, views were

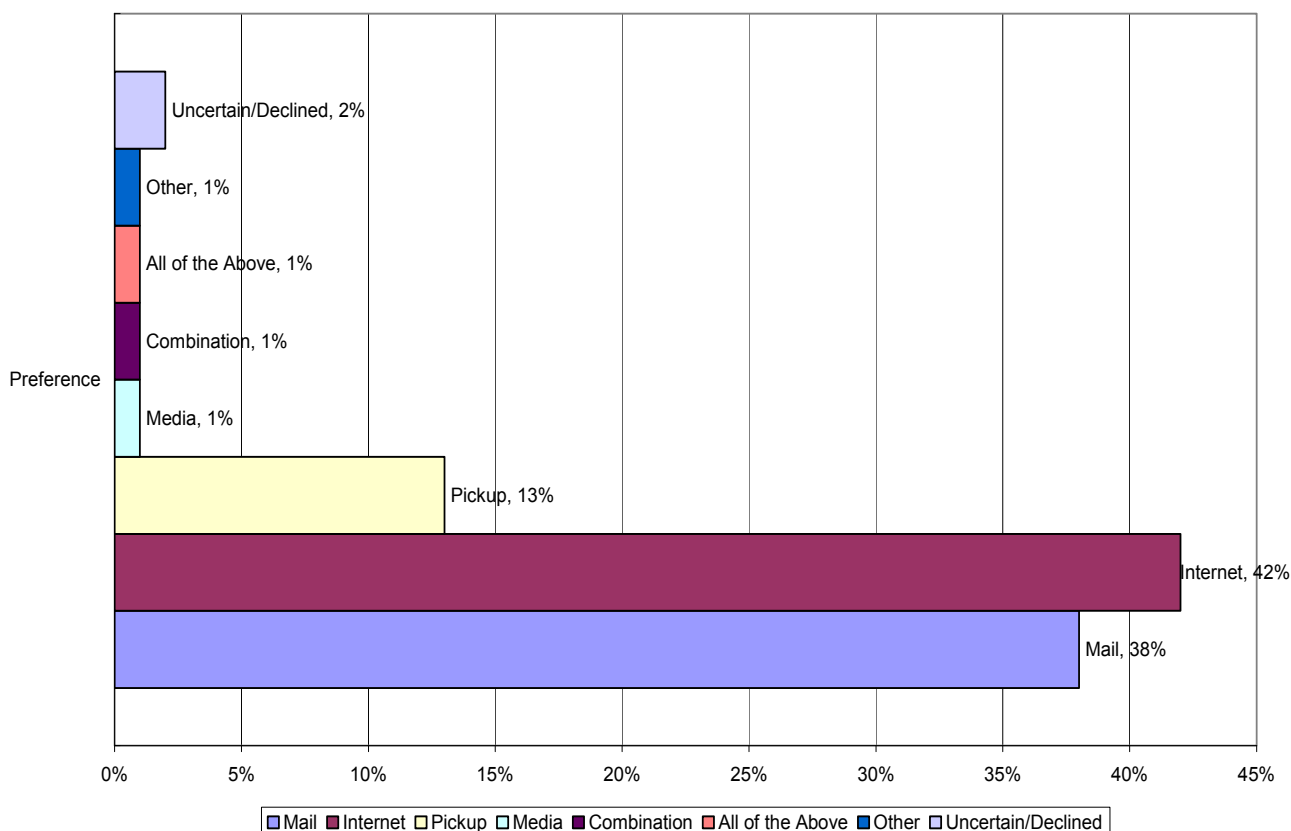
mixed concerning the method that should be used in making the information available. Some preferred to have a summary document mailed to them while others thought that the information should be placed on the internet. Although the federal government currently provides the Citizen's Guide on the internet, and federal agencies place financial reports on their websites, the focus group participants were not aware of these practices.

To learn about the public's perceptions on how they would prefer to have financial information made available, we asked the following question:

If there were a short, 12-15 page report summarizing financial information about the federal government, how would you most prefer to have this report made available:

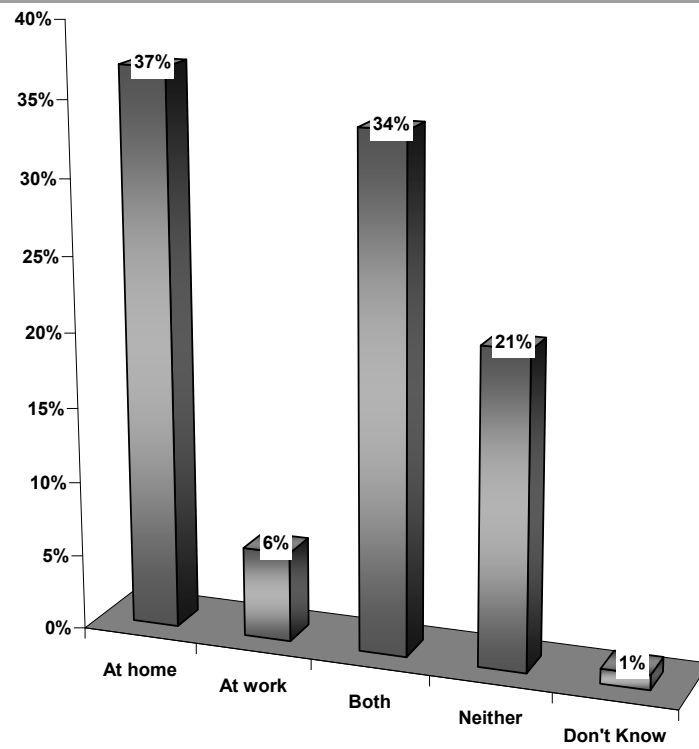
- By mail;
- On the Internet;
- Available for pick up at a location in your community, such as the library; or
- Some other way
 - Media;
 - Combination of these;
 - All of the above (mail, internet, pickup, media, combination)
 - Other

The survey respondents appeared to prefer the internet (42%) and mail (38%), while others preferred to have the information available for pickup (13%). These results appeared to be consistent with the focus group discussions. Chart 8 provides details of the responses.

Chart 8: Perceptions on How a Summary Report can be Made Available

In addition, to determine what groups of individuals were likely to have access to the internet or email, we asked respondents whether they have access to the internet or email at home or at work. As a result, we determined that 21% of respondents stated that they did not have access to the internet or email at home or at work. These individuals were likely to be 65 years old or older and live in households with income of less than \$30,000. In contrast, 34% of respondents stated that they had access to internet or email at both their home and work. These individuals were likely to be between 35 to 44 years old and live in households with income of \$100,000 or more. Chart 8a provides a summary of the overall responses,

Chart 8a: Respondents with Access to Internet or Email



Question 9: Other Important Information the Public Seeks

To learn about what additional information the public believes would be important, we asked survey participants,

Other than costs, assets, liabilities, and results, is there any other information you think is important to include in a report on the federal government's finances?

As a result, the participants expressed a wide range of responses indicating the importance of various types of information. While some individual responses indicated an interest in various types of information and citizens' concerns about federal government issues, we noted that respondents desired disaggregated information about costs, results, assets, and liabilities. Also, participants believed that disaggregated information about revenues was important as well as information about the federal government's plans, including the federal budget, and information about the economy. Examples of the responses were as follows:

An account of all the money put in banks, to any place they might put money.

We need to know where our tax dollars are going.

What is given to other countries and what we give to defense contractors.

We should know what programs are catered to.

A standard balance sheet.

A break-down of expenses. How much in detail and total was given. And for what purpose funds were used and were funds used for intended purposes.

The amount of money they make and the benefits they receive.

Every federal and state employee's salary should be made public.

I am interested in the food programs and educational programs and what is going to happen to them and they should be investigating the governors and mayors as well.

How much work is spent overseas especially in a country that don't care about us.

About war money we spent.

The costs of space exploration which I don't believe we need at all, and the costs of the federal government lending to other countries.

Some measure of the effectiveness of the programs.

We want to know where all the money is going and what they are actually doing with all the money.

Projections for the next 5 years.

Proposed changes in future initiatives.

The budget and to see how much they are taking in and how much they are spending. I personally have to keep a budget. How much of it is borrowed money vs. how much of it is money taken in from taxes.

The successfulness of their programs. Some don't work.

Some of these bailouts that were given out and the banks are trying to give back is not being taken and you would like to see a report on why they are not taking back the funds from the banks who got bailouts.

Congressional spending on vacations with taxpayer's money.

The federal government should put out information on how they are monetizing our bet, in short how they are devaluing the American dollar.

An accurate account of the economy.

Participants also expressed the need for information on social insurance programs. For example, a respondent stated

With regard to healthcare would like data which compares mortality rates, cost of services delivered, and proportion of healthcare cost associated with pharmaceutical drugs with other countries.

Other comments from respondents concerned their perceptions about transparency and accountability. These comments were consistent with our focus groups where participants noted that they wanted the federal government to be candid and discuss problems as well as achievements.²⁶ For instance, they provided the following responses.

²⁶ Research has indicated that trust in government is influenced by political scandals and public perceptions of the economy and crime. See Chanley, Virginia A., Thomas J. Rudolph, and Wendy M. Rahn, *The Origins and Consequences of Public Trust in Government: A Time Series Analysis*, Public Opinion Quarterly, Vol. 64, No. 3, Fall 2000, p. 254. Also, the American Customer Satisfaction Index, ACSI Commentary – Federal Government Scores, December 2008, noted a low level of citizen trust in the federal government in general.

Be honest to the people

Let us know what's going on! How can we ask people to help out? Let us know what we can do to help out. How can we make it work! Let us give out our ideas.

Well I think they should report all their finances clearly because the public cannot do anything about it if they do not know what is going on.

At one time when you do a job everyone needs an overseer to make sure you're doing a good job so things don't get past.

To the best of my knowledge, anyone in government has sworn to uphold the constitution. I would like to see more accountability.

I just think they ought to be more open with what they are doing.

Respondents also provided their views on how financial reports should be presented and made available and when. Some examples of the responses include:

Have people come to neighborhoods and have it installed in schools.

I think we should mail all of it.

More information on how to access government plans

I would prefer it if the report came out semi annually

Up to date information that is being reported on.

They should be available to anyone at anytime.

Pie graphs and a break down so a child in third grade can understand it. How would future goals and objectives be accomplished while explaining how to meet those goals. The overall effects on the country down to the third grader and their understanding.

Explain the information in a language that I can understand.

Other respondents expressed views about the operations of the federal government and they believed that more information should be provided about Congress.

I'm of the opinion that its not a case of not having the money. It's the way the money is spent. I'm terribly aware of the waste in the federal government and I think they could do better in those areas.

You feel they are running wild with the finances, so much debt and it's gonna crumble this country for years to come.

We should get tax breaks instead of tax cuts.

They should not be able to print all that money.

I think that there should be information about which senators and representatives did not pay their taxes. If they didn't they should lose their jobs.

I would like to know what the elected would gain financially from those programs.

Inventory of User Needs

INVENTORY OF USER NEEDS

Purpose: To present the kinds of information that users seek in assessing accountability and for decision-making with respect to the federal government.

Scope/Methodology: Considering that the user needs study intends to focus on “what should be” rather than documenting “what is,” the inventory lists all the kinds of information (both financial and non-financial) and levels of granularity identified during our user focus group discussions, surveys, interviews, and literature reviews. Initially listing all types of information and levels of granularity, rather than prescreening, will permit comprehensive consideration of the information needs of users and how financial reports can be developed to provide that information.

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY¹/ DECISION-MAKING
Do Think Tanks Matter? Assessing the Impact of Public Policy Institutes, Donald E. Abelson, McGill-Queen's University Press 2002	Clear and concise summaries of the costs and benefits associated with particular policy proposals	To provide policy makers with information needed for policy decisions.	Congress	Policy Decision-making
GAO-09-233R	Monthly obligations for the Global War on Terrorism	To track the "cost" of war	Congress	Financial Resources
GAO/GGD-00-35	How personnel and expenditures were allocated across activities	To learn what was actually spent on a program and the priorities within a program	Congress	Economy and Efficiency
GAO/GGD-00-35	Quantity, quality, and efficiency of the activities or services provided	To learn the nature and scope of a program's activities and how well a program was being administered	Congress	Economy and Efficiency
GAO/GGD-00-35	Characteristics of the persons or entities served	To learn who benefits from the program – helps answer questions about how well program services are targeted to the population most in need and how well target populations are reached.	Congress	Economy and Efficiency

¹ The areas of accountability include financial resources, compliance, economy and efficiency of operations and results of government programs and are discussed in Statement of Federal Financial Accounting Concepts 1, Objectives of Federal Financial Reporting, par. 74.

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY¹/ DECISION-MAKING
GAO-09-142	UN resource challenges and gaps in obtaining and deploying troops, police, and civilians authorized to carry out peacekeeping operations. The information should include commitments to provide these resources, difficulties in obtaining them, and whether the gaps have impeded operations from carrying out their mandates.	To provide Congress with the information needed to conduct oversight and fully consider Administration budget and other requests for UN peacekeeping.	Congress	Financial Resources
GAO-09-147R	The effect of prepositioned equipment shortfalls on current operations and concept plans, as well as actions taken to mitigate the risks caused by the shortfalls.	To provide Congress with the visibility to better assess the status and condition of DOD's prepositioned materiel and equipment	Congress	Economy and Efficiency
GAO-09-147R	Funding requirements by year and appropriation accounts similar to the level of detail provided in the annual budget request presentation	To provide Congress with the visibility to better assess the status and condition of DOD's prepositioned materiel and equipment ²	Congress	Economy and Efficiency

² The National Defense Authorization Act for Fiscal Year 2008 (NDAA) added an annual reporting requirement to Title 10 of the United States Code, directing DOD to submit a report to the congressional defense committees on the status of prepositioned materiel and equipment as of the end of each fiscal year, no later than the date of the submission of the President's annual budget requests. The report is required to address the following six elements: (1) the level of fill for major end items of equipment and spare parts, (2) the materiel condition of equipment in the prepositioned stocks, (3) a list of major end items drawn from prepositioned stocks that fiscal year and a description of how the equipment was used and whether it was returned to the stocks after its use, (4) a timeline for completely reconstituting any shortfall in the prepositioned stocks, (5) an estimate of the funding required to completely reconstitute any shortfall in the prepositioned stocks and a description of the Secretary's plan for carrying out the reconstitution, and (6) a list of any operations plans affected by a shortfall in the prepositioned stocks and a description of the action taken to mitigate any risk created by that shortfall.

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY¹/ DECISION-MAKING
GAO-09-56	Trends in the program environment and their implications	To provide information for future decisions regarding the program.	Congress	Economy and Efficiency
GAO-09-59R	Progress in complying with laws in general	To determine status of compliance efforts	Congress	Compliance
GAO-09-68	Information on budgeting tools used in planning - how the agency weighted the measures used in the tool to evaluate different mixes and locations of assets and the rationale for those weights, (2) how results of the tool were used in conjunction with other information in developing the agencies' budget requests, and (3) the extent to which the agencies' funding allocations to their field units reflected the tool's results for a given year.	To increase transparency of tools used to develop budget requests and allocate funds.	Congress	Financial Resources
GAO-09-75R	Progress in meeting alternative fuel requirements	To determine progress in implementing legislation	Congress	Compliance
GAO-09-81	How many assisted and who?	To learn about the federal government's efforts in providing assistance	Congress	Results
GAO-09-81	What did the federal government do to assist?	To learn about the federal government's efforts in providing assistance	Congress	Results
GAO-09-81	What challenges were faced in providing assistance?	To learn about the federal government's efforts in providing assistance	Congress	Results
GAO-09-86R	What is the organizational structure, staffing level, and	To provide background information on a program	Congress	Economy and Efficiency

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY ¹ / DECISION-MAKING
	amount of funding?			
GAO-09-93	Actions, resources, and timeframe needed to improve northern border security and the basis used to prioritize action.	To provide information for discussing policy decisions and resource allocation decisions	Congress	Financial Resources
GAO-09-94R	Long-term fiscal simulations of what might happen to federal deficits and debt levels under varying policy assumptions.	To provide Congress with information on the long-term effects of fiscal policy (assist in policy discussions)	Congress	Financial Resources
Jan. 15, 2009 Senate Armed Services Committee Hearing on the Nominations of William Lynn to be Deputy Secretary of <Defense>, Robert Hale to be Undersecretary of <Defense> and CFO, Michele Flournoy to be Undersecretary of <Defense> for Policy, and Jeh Charles Johnson to be General Counsel	the amount of unfunded requirements	To assist in the planning process.	Congress	Financial Resources
Oversight	Maintenance backlogs	To determine how	Congress	Economy and Efficiency

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY¹/ DECISION-MAKING
Plans for all House Committees Committee on Oversight and Government Reform House Report 111-69 March 31, 2009		maintenance needs are being prioritized and addressed		
Oversight Plans for all House Committees Committee on Oversight and Government Reform House Report 111-69 March 31, 2009	Efficient use of federal healthcare dollars	To determine whether funds are being spent appropriately	Congress	Economy and Efficiency
Oversight Plans for all House Committees Committee	Improper payments	To determine whether funds are being spent as intended.	Congress	Economy and Efficiency

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY ¹ / DECISION-MAKING
on Oversight and Government Reform House Report 111-69 March 31, 2009				
Oversight Plans for all House Committees Committee on Oversight and Government Reform House Report 111-69 March 31, 2009	Use of federal lands	To learn how they are used for energy production	Congress	Economy and Efficiency
Oversight Plans for all House Committees Committee on Oversight and Government Reform	Agency efficiency and effectiveness and performance Fraud, waste, abuse, mismanagement (utilizing GAO and IG reports, hearings, court	To identify and remedy problems in agencies	Congress	Economy and Efficiency & Results

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY¹/ DECISION-MAKING
House Report 111- 69 March 31, 2009	rulings, past committee legislative and oversight reports, and other experts)			
Oversight Plans for all House Committees Committee on Oversight and Government Reform House Report 111- 69 March 31, 2009	Implementation of auditor recommendations	To determine whether corrective actions have been completed	Congress	Economy and Efficiency & Results
Oversight Plans for all House Committees Committee on Oversight and Government Reform House Report 111- 69 March 31,	Efficiency and Effectiveness of the regulatory process	To determine how the federal regulatory process may be improved in achieving the desired outcomes of regulation	Congress	Economy and Efficiency & Results

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY¹/ DECISION-MAKING
2009				
Oversight Plans for all House Committees Committee on Oversight and Government Reform House Report 111- 69 March 31, 2009	Coordination of agency efforts on issues	To determine whether federal efforts are coordinated to ensure effective and efficient use of resources	Congress	Economy and Efficiency & Results
Oversight Plans for all House Committees Committee on Oversight and Government Reform House Report 111- 69 March 31, 2009	Long-term budget and fiscal outlook	To consider in economic stimulus legislation	Congress	Financial Resources
Oversight Plans for all House	Oil and gas royalty payments	To ensure taxpayers receive what is owed	Congress	Financial resources

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY¹/ DECISION-MAKING
Committees Committee on Oversight and Government Reform House Report 111- 69 March 31, 2009				
Oversight Plans for all House Committees Committee on Oversight and Government Reform House Report 111- 69 March 31, 2009	Performance in ensuring safety at nuclear facilities	To ensure safety at the Nation's nuclear power plants and other nuclear facilities	Congress	Results
Oversight Plans for all House Committees Committee on Oversight and	Environmental clean-up activities	To determine the status of clean-up effectiveness, on-going monitoring, and compliance with federal and state laws and regulations	Congress	Results

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY¹/ DECISION-MAKING
Government Reform House Report 111-69 March 31, 2009				
Think Tanks, Public Policy, and the Politics of Expertise, Andrew Rich, Cambridge University Press 2004	Estimates of the financial and performance benefits and drawbacks of legislation	To provide policy makers with information needed for policy decisions.	Congress	Policy Decision-making
GAO-09-233R	Costs related to the longer war against terror	To enable the Congress and administration to plan priorities.	Congress and Executives	Financial Resources
GAO-09-233R	Incremental costs of the ongoing global war on terror operations that can be moved into the base budget	To enable the Congress and administration to plan priorities.	Congress and Executives	Financial Resources
GAO-09-161	Formalize the existing communication strategy to ensure that external stakeholders, including Congress and the public, are informed about the program's current strategy and activities as well as the rationale for changes in this strategy to avoid information gaps and shocks	To improve the integrity, accountability, and transparency of TARP	Congress and the Public	Economy and Efficiency

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY¹/ DECISION-MAKING
Economic Indicators: How America Reads Its Financial Health Joseph E. Plocek New York Institute of Finance 1991	Daily information on how close the Treasury is to the debt limit	To learn about the volume and maturity of securities to be sold.	Financial analyst	Financial Decision-making
Economic Indicators: How America Reads Its Financial Health Joseph E. Plocek New York Institute of Finance 1991	Daily information on where available cash balances are held	To make GNP forecasts	Financial analysts	Financial Decision-making
Economic Indicators: How America Reads Its Financial Health Joseph E. Plocek New York	Monthly receipts and outlays as well as the resulting deficit for the month and fiscal year	To see if the federal government is on track to meet its annual target	Financial analysts	Financial Decision-making

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY ¹ / DECISION-MAKING
Institute of Finance 1991				
GAO-09-10	Estimate of the federal government's fiscal exposure (the federal government will incur future maintenance costs) resulting from repair and maintenance backlogs	To assist in managing real property	Management	Financial Resources
GAO-09-100	Reliable cost estimates for the program that are well-documented, comprehensive and accurate, and credible while in the planning phase of the program.	To ensure that CDC defines reliable plans for effectively managing the development and implementation of the redesigned BioSense program and its related system	Management	Economy and Efficiency
GAO-09-100	Timeline estimates for implementing the program while in the planning phase (resources to complete each task, analysis of critical path, and risks to the schedule)	To ensure that CDC defines reliable plans for effectively managing the development and implementation of the redesigned BioSense program and its related system	Management	Economy and Efficiency
GAO-09-100	Outcome-based performance measures that address all phases of the program and that focus the success of the program on CDC's federal, state, and local partners' use of the system for responding to public health events while in the planning phase.	To ensure that CDC defines reliable plans for effectively managing the development and implementation of the redesigned BioSense program and its related system – outcome based performance measures	Management	Economy and Efficiency

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY ¹ / DECISION-MAKING
		will assist in monitoring progress		
GAO-09-103	Metrics and targets for tracking and assessing the cost efficiency of inventory management	To improve management of Navy inventory	Management	Economy and Efficiency
GAO-09-103	Inventory demand forecasts	To improve management of Navy inventory	Management	Economy and Efficiency
GAO-09-175	strategic plan, in coordination with DOD components, to align UAS goals and funding with long-term departmental planning efforts. The UAS strategic plan should, at a minimum, include elements such as a comprehensive mission statement, long-term goals and an explanation of how the goals are to be achieved, a timeline with milestones to track progress toward short- and long-term goals, and a determination of the resources needed to close any current capability and capacity gaps. In addition, the strategic plan should show clear linkages between UAS initiatives and other comprehensive departmental planning efforts, such as the Intelligence, Surveillance, and Reconnaissance Integration Roadmap and the development of joint capability area strategic	To develop a fully integrated framework to sustain progress and resolve long-standing challenges in the management and operational use of UAS	Management	Economy and Efficiency

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY¹/ DECISION-MAKING
	plans.			
GAO-09-29	investment risk tracking (project objectives, cost constraints, schedule constraints), acquisition program baseline (critical costs, schedule, and performance parameters)	To manage major investment projects	Management	Economy and Efficiency Financial Resources
GAO-09-30	Comprehensive data on government and contractor workforce	To assess acquisition workforce gaps.	Management	Economy and Efficiency
GAO-09-41	Detailed cost data for performance based logistics (PBL) arrangements (the purchase of performance, such as system availability, rather than individual elements e.g. parts, repairs, and engineering support). Such data may include the cost of depot maintenance by subsystem and major component or the cost of engineering support, supply support, and transportation.	To help perform cost analysis and determine whether performance based logistics has reduced support costs as intended.	Management	Economy and Efficiency
GAO-09-45	Program evaluation plan: measurable objectives; criteria; methodology; explanation of the type and source of data necessary to evaluate the pilot, methods for data collection, and the timing and frequency of data collection; and data-analysis plan to track the program's performance and evaluate the final results of the	To track program performance and make sound assessments about the program's future.	Management	Economy and Efficiency & Results

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY¹/ DECISION-MAKING
	project.			
GAO-09-46	Current utility costs or future utility savings possibilities	To plan energy efficiency	Management	Economy and Efficiency
GAO-09-50	Cost effective mix of items, number of items, retirement schedules, future procurement and modernization needs	To plan how much to procure, what to retire, and what to modernize.	Management	Economy and Efficiency
GAO-09-50	Cost estimates that include risk and sensitivity analysis on major cost drivers, costs of modernization, and potential savings from retirements	To plan how much to procure, what to retire, and what to modernize.	Management	Economy and Efficiency
GAO-09-52R	System development risks	To ensure systems are implemented successfully and perform as designed	Management	Economy and Efficiency
GAO-09-52R	Risk mitigation plan	To help ensure systems are implemented successfully and perform as designed	Management	Results
GAO-09-54	Performance measures	To help assess how well the program performed	Management	Results
GAO-09-58	Cost/benefit analysis	To determine if benefits exceed cost of enhancing capabilities	Management	Economy and Efficiency
GAO-09-62	Results oriented strategic plan	To improve efforts to address issues and improve transparency of efforts	Management	Results
GAO-09-68	Strategic plan	To improve ability to identify needed assets and their location	Management	Economy and Efficiency & Results

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY¹/ DECISION-MAKING
GAO-09-71	Plan – including future funding requirements, assessment of fiscal situation, spending priorities, ability to assume additional funding responsibilities, and milestones.	To address an overall initiative involving a mix of programs, differing goals, and varying time tables.	Management	Economy and Efficiency & Results
GAO-09-71	Performance measurements	To determine if program is self-sustaining and accomplishing objectives	Management	Economy and Efficiency & Results
GAO-09-77	Estimates of animal populations in herd management areas	To manage inventory of wild horses and plan for capacity	Management	Economy and Efficiency
GAO-09-77	Cost of animal care	To facilitate cost-effective alternatives to the process of caring for wild horses	Management	Economy and Efficiency
GAO-09-78	Strategy for assessing effectiveness	To help locate flaws when goals are not met	Management	Results
GAO-09-87	Potential effects of planned petroleum refinery outages and explanation of trends in energy markets	To track refinery outages and understand their implications and address questions about petroleum product prices	Management	Economy and Efficiency
GAO-09-131	Results-oriented plan that provides (1) goals for on-hand equipment and personnel levels at the end of each fiscal year; (2) projected on-hand equipment and personnel levels at the end of each year, including planned annual investments and quantities of equipment expected to be	To improve the Army's focus on the relationship between investments and results and the completeness of the information that the Army provides Congress.	Management and Congress	Economy and Efficiency

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY¹/ DECISION-MAKING
	procured or repaired, as well as key assumptions underlying the Army's plans; and (3) an assessment of interim progress toward meeting overall Army requirements and the risks associated with any shortfalls.			
Management Institute, Project. "Chapter 13 - Program Financial Management". The Standard for Program Management , Second Edition. Project Management Institute. © 2008. Books24x7. < http://common.books24x7.com/book/id_29855/book.asp > (accessed September 3, 2009)	Estimate and track total cost of ownership - development and implementation costs and ongoing costs of maintenance and eventual decommissioning	To manage program costs	Program Managers	Economy and Efficiency
Managing Public Dollars, IBM	Asset Life-cycle management information		Program Managers	Economy and Efficiency
GAO/GGD-00-35	Indicators of progress	To learn how well the program is achieving its objectives and any side-effects of the program	Program Managers, Congress	Performance

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY ¹ / DECISION-MAKING
		(students burdened with debt)		
Citizen Survey and Focus Groups	Understandable information on assets, liabilities, costs, results	Citizens believe they have the right to know	Public	Economy and Efficiency, Compliance, Financial Resources, Results
Experts Focus Group	Full cost of programs	To know how much programs cost and whether they and operating economically and efficiently	Public	Economy and efficiency
Experts Focus Group	Liabilities of the US government.	To know how much is being passed on to future generations?	Public	Financial Resources
Experts Focus Group	IRS receivables	To know how well the federal government is managing its assets	Public	Financial Resources
Experts Focus Group	Program Accomplishments	To know what did the public receive for their tax dollars	Public	Results
GAO-09-60	Results of program	To improve transparency	Public	Results
GAO-09-77	Tracking of animal treatment	To inform the public of animal treatment	Public	Results
Jan. 15, 2009 Senate Armed Services Committee Hearing on the Nominations of William Lynn to be Deputy Secretary of <Defense>.	an unclassified and a classified accounting of all nuclear weapons- related spending	To increase public support for crucial nuclear security programs and to achieve effective allocation of public resources	Public	Financial Resources

Source	INFORMATION	PURPOSE	PRIMARY POTENTIAL USER	AREA OF ACCOUNTABILITY¹/ DECISION-MAKING
Robert Hale to be Undersecretar y of <Defense> and CFO, Michele Flournoy to be Undersecretar y of <Defense> for Policy, and Jeh Charles Johnson to be General Counsel				
Preparers Focus Group	Budget vs. Actual	To know whether the program complied with the budget	Public	Compliance
Preparers Focus Group	Full cost of programs	To know how much programs cost and whether they and operating economically and efficiently	Public	Economy and efficiency
Preparers Focus Group	Liabilities	To know what the government owes – how much we need to spend in the future	Public	Financial Resources
Preparers Focus Group	Recipient of funds	To know who received federal funds and what they did with the money	Public	Results
Preparers Focus Group	Program Accomplishments	To know what did the public receive for their tax dollars	Public	Results

User Needs

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Government Accountability Office. *Defense Logistics: Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment Can Be Enhanced to Better Inform Congress* [GAO-09-147R](#) December 15, 2008

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