Federal Accounting Standards Advisory Board

April 6, 2012

Memorandum

To: Members of the Board

From: Wendy M. Payne, Executive Director

Subj: FASAB Mission Statement – **Tab G**[1]

MEETING OBJECTIVES

- To review the mission statement and identify any needed changes

BRIEFING MATERIAL

This memo is followed by:

- Attachment 1: Annotated FASAB Mission Statement
- Attachment 2: Selected Mission Statements of Other Standards-setters
- Attachment 3: Dual Focus on Internal and External Users
- Attachment 4: Draft Revisions to Mission Statement
- Appendix 1: FASAB Strategic Directions

BACKGROUND

The Board developed and approved its current mission statement in 1991 shortly after the Chief Financial Officers Act of 1990 established a pilot program for annual audited financial statements at agencies. At the February meeting, the chairman requested that we review the mission statement. His specific concern was that the mission statement does not directly address consideration of the information needs of citizens.

Notable changes in federal financial management since 1991 include:

a) Concepts 1, *Objectives of Federal Financial Reporting* (1993), identified:

   1) citizens, Congress, federal executives, and federal program managers as users or potential users of federal financial reports, and

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441 G Street NW, Mailstop 6K17V, Washington, DC 20548 ♦(202) 512-7350 ♦fax 202 512-7366

2) reporting objectives including budgetary integrity and stewardship (financial condition) objectives.

b) The Government Management Reform Act of 1994 (GMRA) made permanent the pilot program in the CFO Act for annual audited agency-level financial statements and established a requirement for annual audited government-wide consolidated financial statements (CFR). Prior to this requirement, the CFR was produced as a prototype and not audited.

c) The Clinton administration's National Performance Review requirement to establish managerial cost accounting standards and the subsequent adoption of Statement of Federal Financial Accounting Standards 4, *Managerial Cost Accounting Standards and Concepts* (1995)

d) The American Institute of CPAs (AICPA) recognition of FASAB as the generally accepted accounting principles (GAAP) standards-setting body for the federal government in 1999

e) Identification of citizens and citizen intermediaries as the intended users of the CFR (Concepts 4 - 2003)

f) Addition of requirements for prospective information (Statement of Social Insurance (FY2006 as basic and FY2000 as RSI) and Statement of Long-Term Fiscal Projections (FY2013 as basic and FY2010 as RSI))

g) Governance changes to ensure administration of Board activities is transparent including (2010):

1) Appointments Panel role in monitoring activities
2) Member requirement to report to the AICPA
3) Requirement to publish an annual report including results of a member survey regarding the AICPA criteria

h) Evolving relationships with and among other standards-setters including:

1) the International Public Sector Accounting Standards Board (IPSASB)
2) the Governmental Accounting Standards Board (GASB)
3) the Financial Accounting Standards Board (FASB) and convergence with the International Accounting Standards Board (IASB)

In considering the Board's mission, an awareness of mandates assigned to the Board is important. Mandates can be identified in the Memorandum of Understanding (MOU) establishing the Board, the Federal Advisory Committee Act (FACA), and the AICPA recognition criteria.

The MOU states the duties affirmatively but also bars the Board from addressing budgetary accounting. The text is:

The Board will consider accounting concepts and standards. The Board will not set or propose budget concepts, standards, and principles. In considering accounting concepts and standards, consideration will be given to the budgetary information needs of executive agencies and the needs of users of federal financial information. Board recommendations will be submitted to the Comptroller General, the Secretary of the Treasury, and the Director of the Office of Management and Budget.

FACA mandates are extensive –relating to the establishment and continuation of committees, selection of members, ethics, and open government. The open government regulations, in brief, provide that federal agencies sponsoring advisory committees must:

- Arrange meetings that are reasonably accessible and at convenient locations and times;
- Publish adequate advance notice of meetings in the Federal Register;
- Open advisory committee meetings to the public;
- Make available for public inspection, subject to the Freedom of Information Act, papers and records, including detailed minutes of each meeting; and
- Maintain records of expenditures.
    - Source: http://www.gsa.gov/portal/content/101010

The AICPA recognition of the Board as the GAAP standards-setter for the federal government requires that we continue to meet the five criteria expected of such bodies. The criteria have been incorporated into the Board's rules of procedure and are:

1. **Independence** - The body should be independent from the undue influence of its constituency.
2. **Due Process and Standards** – The body should follow a due process that is documented and open to all relevant aspects or alternatives. The body's aim should be to produce standards that are timely and that provide for full, fair, and comparable disclosure.
3. **Domain and Authority** - The body should have a unique constituency not served by another existing Rule 203 standard-setting body. Its standards should be generally accepted by its constituencies.
4. **Human and Financial Resources** - The body should have sufficient funds to support its work. Its members and staff should be highly knowledgeable in all relevant areas.
5. **Comprehensiveness and Consistency** - The body should approach its processes comprehensively and follow concepts consistent with those of existing Rule 203 standard-setting bodies for analogous circumstances.

STAFF ANALYSIS AND RECOMMENDATIONS

A mission statement should be brief while conveying what the organization's purpose is, how it strives to fulfill that purpose, and what distinguishes it from others who might meet the purpose. It should serve to guide and motivate the members of the organization.

Development of mission statements often coincides with comprehensive strategic planning efforts. Given the Board's recent review of its strategic directions document (see appendix 1), I believe an awareness of the changes that have occurred since 1991 and lessons drawn from other standards-setters mission statements provide a sound basis for refreshing our mission statement.

In comparing our mission statement to other standards-setters (attachment 2), several differences are identified and discussed below. Recommendations are offered for your consideration and a draft revised mission statement is presented as attachment 4.

a) **Users** – Some mission statements identify or describe users (e.g., FASB identifies "investors and others" while IPSASB serves "users who are unable to require the preparation of financial reports tailored to meet their specific information needs") but many do not. Instead, some of the mission statements refer to the public interest or stakeholders or decision-makers broadly. FASAB's mission statement focuses on considering the needs of "congressional oversight groups, executive agencies, and the needs of other users of federal financial information."

   This focus on internal users is consistent with the purpose of the CFO Act of 1990 and with the MOU. While very few standards-setters consider internal user needs, the CFO Act explicitly sought to address management and oversight organizations' information needs. The CFO Act's purposes include to "(3) Provide for the production of complete, reliable, timely, and consistent financial information for use by the executive branch of the Government and the Congress in the financing, management, and evaluation of Federal programs."

   Listing the users as they are in the current mission statement may:
   - imply a hierarchy and therefore limit consideration of the needs of potential users that appear lower on the hierarchy.
   - be perceived as inconsistent with current concepts which identify *citizens, citizen intermediaries, Congress, federal executives, and federal program managers* as users.
   - appropriately emphasize that needs of internal users in the federal government had not been met prior to passage of the CFO Act.[2]

[2] See attachment 3 for a discussion from SFFAC 1 of the Board's dual role in meeting internal and external users needs.

Recommendation: To preserve the dual focus intended by the CFO Act and the MOU while acknowledging that the public interest is a priority, I suggest referring to consideration of the information needs of internal and external users. Adding an acknowledgement that the Board serves the public interest in doing so would emphasize the need to consider the general public in all matters. This approach would also avoid the problem of an incomplete list which may exclude potential future users such as other nations, non-citizen service recipients and resource providers, rating agencies, and other international analysts.

b) **Standard-setting qualities or values** – Many mission statements provide some indication of the qualities the organization aspires to in achieving its mission. For example, both GASB and FASB aspire to "a comprehensive and independent process that encourages broad participation, objectively considers all stakeholder views..." GASB also articulates its core values of independence, integrity, objectivity, and transparency. The Canadian Public Sector Accounting Board similarly articulates its commitment to various qualitative aspects of standards-setting.

FASAB's mission statement explains how – often in terms of process – standards-setting will be accomplished; the value statements are integral to the process described. The values include:

- Financial reports that are useful by being understandable, relevant, and reliable.
- Cost-beneficial standards
- A deliberative process that is thoughtful, open, neutral and fair.
- Timely, thorough and open study of issues
- Broad public participation

Recommendation: Streamlining the section relating how we accomplish our mission would make clear the core values of the Board and aid stakeholders in assessing the Board's operations. Adding independence would to be consistent with the most recent revisions to our governance documents which acknowledge that "independence is essential to objective standards-setting." To further streamline the mission statement, I recommend omitting the qualitative characteristics of financial reports since these are addressed comprehensively in concepts statements.

c) **Cost benefit** – Some mission statements explicitly address the need to produce cost beneficial requirements. Generally, this is a matter of concern to all standards-setters whether noted in mission statements or not.

Recommendation: I recommend retaining cost-beneficial standards as a value in the revised mission statement.

d) **Oversight/governance** – The GASB, FASB and IASB refer to the oversight role of trustees while others do not mention oversight. The subject of oversight was addressed through recent changes to our rules of procedure ensuring that governance matters are transparent and that the AICPA would be alerted to any emerging concerns.

   Recommendation: The mission statement need not summarize the oversight arrangements but might include a new value regarding transparency of the Board's operations and accountability. Additionally, the commitment to the procedural requirements established in the MOU and the FACA should be highlighted as a value.

e) **Outcomes and Objectives** – Each mission statement identifies a desired outcome or outcomes and some articulate specific objectives in accompanying material. For example, the New Zealand outcome is reporting that 'engenders confidence in New Zealand financial reporting, assists entities to compete internationally, and enhances entities' accountability to stakeholders' and specific objectives are not offered. In contrast, the Canadian PSAB appends these objectives to its mission statement:

a.	To establish financial reporting standards and guidance that improve the quality of information reported by Canadian public sector entities, with due consideration for the costs and the benefits to the preparers and users of financial reports of different categories of reporting entity, and changes in the economic environment.
b.	To facilitate the capital allocation process in the public sector through improved information.
c.	To participate with other standard setters in the development of a single set of high quality internationally accepted public sector financial reporting standards.
d.	To support the implementation of financial reporting standards and the resolution of emerging application issues.

   Recommendation: Including detailed objectives at this time may detract from the expression of purpose and core values necessary in a mission statement. Further, objectives are considered in annual technical agenda setting as well as periodic strategic planning discussions. The draft mission statement at attachment 4 omits specific objectives but they are available routinely in other documents.

QUESTIONS

1) Does the Board wish to revise the 1991 mission statement?

2) If so, does the Board approve the draft found at attachment 4?