



April 14, 2010

Memorandum

To: Members of the Board

From: Ross Simms, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: Federal Reporting Model – TAB G¹

MEETING OBJECTIVE

To review staff user needs results to date and discuss next steps for the project.

BRIEFING MATERIAL

The Briefing material consists of our financial information user needs study results. These results are provided in the following sub-tabs.

1. User Needs Study: Citizens – discusses the results of our national survey of adult citizens and focus group discussions.
2. User Needs Study: Interviews with Executives and Managers – discusses the results of our interviews with executives and managers.
3. User Needs Study: Congress – discusses the results of our literature review concerning the Congress' financial information needs.
4. User Needs Study: Inventory of User Needs – presents all the items of information identified in the citizens, executives and managers, and Congress user needs studies, including quotes from citizens in response to the question,

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

“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?”

Also, staff is providing the Board with a copy of an article regarding a blue-ribbon panel established to provide recommendations on the future of private company accounting standards. According to the article, most of the panel members agreed that U.S. generally accepted accounting principles is considered a gold standard in financial reporting (see sub-tab 5).

BACKGROUND

Staff conducted user needs studies involving citizens, executives and managers, and the Congress, see sub-tabs 1, 2, and 3 respectively. Upon completion of the studies, staff developed a user needs inventory (see sub-tab 4 for details) for use in determining improvements in existing federal financial reports. Staff believes that the financial reporting objectives are broad enough to include the user needs identified and the following are some of the highlights of the user needs studies:

- Citizens and some executives and managers noted difficulty in understanding information in financial reports. They believed that the documents are intended for accountants or economists rather than citizens and managers. In some instances, executives and managers develop their own data and reports.
- Congress seeks timely, easy to understand information to address particular issues.
- Citizens were not aware that the federal government and agencies prepare audited financial statements and some executives and managers had not seen their agency’s financial statements.
- Some executives and managers noted that they need training in financial management
- Congress seeks financial information about specific issues of the day and uses many sources to obtain the information it needs such as obtaining the information directly from agencies and utilizing legislative support organizations, i.e., the Government Accountability Office, Congressional Budget Office, and Congressional Research Service.
- Congress also routinely seeks information about the budgetary effect of legislative proposals on the budget and the cumulative effects of legislation

- Executives and managers use multiple systems, cuff systems, or systems other than financial systems to get financial information, including basic budgetary information.
- Both cash and accrual basis accounting appears to be needed to provide the information users need.
- Executives and managers need information at least monthly, but timelier, if possible. However, some did not believe that timelier information was possible.

NEXT STEPS

Unless members would like to research other areas as part of the user needs studies, staff will confer with the chairman and issue the user needs reports upon his approval.² Also, staff has developed a task force plan to consider the user needs results and determine the need for improvements to financial reports. The task force plan involves two task force groups, a Technical Group and a Users Group. The Technical Group will develop the financial statements for government-wide and agency financial reporting while the Users Group will provide feedback on the financial statements developed. Invited members of the Technical Group include:

Jonathan D. Breul, Executive Director, IBM Center for The Business of Government, Partner, IBM's Global Business Services

Jerry Ellig, Senior Research Fellow, Mercatus Center, George Mason University

Patricia E. Healy, Executive Consultant, CGI

Michael J. Hettinger, Director of Practice Planning and Marketing, Global Public Sector, Grant Thornton LLP

John H. Hummel, Partner and Federal Segment Leader, KPMG LLP

Edward J. Mazur, Senior Advisor for Governmental Financial Management, Cherry, Bekaert & Holland, L.L.P

Marvin Phaup, Project Director, Pew Economic Policy Group

Jeffrey C. Steinhoff, Executive Director, KPMG Government Institute

Sheila Weinberg, founder and CEO, the Institute for Truth in Accounting

² According to the FASAB's Rules of Procedure, updated April 2004, "task force and staff prepared preliminary documents may be issued upon approval by the Chairperson. The Chairperson confers with the Board prior to deciding whether to issue individual [Discussion Memorandums] DMs and [Research Reports] RRs."

The Technical Group will meet on May 12, 2010 to consider government-wide level financial statements and develop a schedule for project completion.

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.