MEMBER ACTIONS REQUESTED:

- Provide responses to the questions on page 2 by August 19, 2019

August 9, 2019

Memorandum

To: Members of the Board
From: Ross Simms, Assistant Director
Through: Monica R. Valentine, Executive Director
Subject: Reporting Model – Improving Budgetary Reporting Project Plan – Tab E

MEETING OBJECTIVE

The objective of this session is to approve the attached project plan, so that staff may take action on the next agreed-upon step.

BRIEFING MATERIALS

The briefing materials include the proposed project plan and the following appendices

- Appendix I: Existing Reporting Model shows the reporting objectives and the basic financial statement that contributes to addressing each objective.

- Appendix II: Example MD&A Discussions and Analyses of Statements of Budgetary Resources (SBR) and SBR provides examples of how reporting entities analyze and discuss their SBR in MD&A and examples of the SBR

You may electronically access all of the briefing material at https://fasab.gov/board-activities/briefing-materials/.

BACKGROUND

During the June 2019 meeting, the Board discussed its priorities for the reporting model project and determined that (1) Improve Budgetary Information Reporting, (2) Performance Reporting, (3) Electronic Reporting, and (4) Data Quality and Integration were the highest rankings. As a result, staff is proposing a plan to improve the reporting model and address the Board’s highest priorities.

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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 FASAB or its staff. Official positions of FASAB are determined only after extensive due process and deliberations.
NEXT STEPS
The next steps for the project will be determined during the meeting.

QUESTIONS FOR THE BOARD

1. Does the Board agree with the proposed project plan, overall?
2. Do members have suggestions for enhancement to the plan?

MEMBER FEEDBACK

If you have any questions or comments, please contact me by telephone at (202) 512-2512 or by email at simmsr@fasab.gov with a cc to Ms. Valentine at valentinem@fasab.gov.
IMPROVING THE REPORTING MODEL

PROPOSED PROJECT PLAN

AUGUST 2019

Assigned Staff:

Ross Simms

Purpose:

This phase of the reporting model project is being undertaken to enhance the reporting model for component reporting entities. In particular, this project focuses on component reporting entity budgetary and performance information in the federal government’s open data environment. Since the Board developed the reporting model in the 1990s, the federal government has evolved to providing open access to budgetary and other data and providing financial and performance information electronically. The frequency and amount of data available to potential users has increased and software has been developed to assist them in discovering, modifying, and sharing the data. The reporting model project considers the state of the existing model and the enhancements that may be needed to capitalize on the opportunities the modern reporting environment offers. Particular issues the project will consider include the following:

- Users Need to Better Understand Reported Budgetary Information. The SBR is the principal statement intended to present basic information about the budgetary resources Congress provides to finance component reporting entity activities. However, the format of the statement and the technical terms used limit its effectiveness. Appendix I: Existing Model shows the reporting objectives and the current, basic financial statements intended to address each objective. Also, Appendix II: Example MD&A Analyses of Statements of Budgetary Resources (SBR) and SBR provides examples of how reporting entities analyze and discuss their SBR in MD&A and examples of the SBR.

- Users Have Access to More Timely Budgetary Data. While reporting entities present the SBR annually, potential users can electronically access a federal website to use and redistribute quarterly budgetary data.

- Guidance Needed for Program Performance Information. The Board’s concepts suggest that the reporting model include a presentation of performance information; however, FASAB guidance needs to be developed to help determine the performance data that should be aggregated for presentation in the reporting model.

- Annual Financial Reports May Not Always Provide Complete Annual Performance Information. Annual performance information may not be available at the time reporting entities prepare and post their annual financial reports. After reporting entities have

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2 In the open data environment, agencies manage their data as an asset and, wherever possible, release the data to the public in a manner that makes it open, discoverable, and usable.
made their annual financial reports available, users can access complete annual performance information from a federal website.³

- Different Units of Analyses. Program managers tend to focus on budgetary resources and prioritize obligation rate and timing over managing to and reporting on the full cost of goods and services.

- The Need for Flexibility in Aggregating Data. General purpose financial statements aggregate data to help address the common information needs of users and demonstrate accountability. Analysts, however, seek more granular data to design their own reports. Also, with respect to performance, there are different costs for different purposes and aggregating costs into a single number may limit the potential uses of that cost information. In addition, reporting entities have multiple stakeholders and each group of stakeholders may seek to review information aggregated in different ways.

- The Scope of the Board’s Guidance. While the Board may require the presentation of budgetary and performance information in financial statements and required supplementary information (RSI), the Office of Management and Budget prescribes recognition and measurement guidance for budgetary reporting and prescribes guidance for performance reporting.

- The Evolution in Data Access, Analysis, and Distribution. Potential internal and external users are more likely to access information on an electronic device rather than accessing a printed document. The user’s electronic device, such as a smartphone, tablet, or laptop, serves as a platform that permits automated search capabilities and navigation among numerous databases and information sources. Users google or scan for information rather than reading entire documents online and the automation enhances data discovery.

- Data Quality. While the federal government is allowing users to access, use, and share data, there are concerns about data quality.

- Reporting Guidance. Preparers may need guidance to help select among the volumes of available data and develop a presentation that does not overwhelm potential users. The general purpose presentation could provide the fundamental information about the reporting entity while providing links and context for the additional data available to users and a model of how data should be used.

Applicability:

The current phase of the project focuses on component reporting entities presenting general purpose federal financial reports in conformance with Statement of Federal Financial Accounting Standards (SFFAS) 34, The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board.

Also, any conceptual guidance developed as a result of the project would guide the Board’s development of accounting and reporting standards. Knowledge of the concepts that the Board considers should help users and others who are affected by or interested in federal financial accounting and reporting standards. As a result of this guidance, these groups should be able to understand the purpose and qualitative characteristics of information that should be provided by federal financial accounting and reporting.

³ Goal teams do provide quarterly progress updates for Cross-Agency Priority Goals and Agency Priority Goals.
Objective:

The objective of this phase of the project is to enhance the effectiveness of the reporting model in presenting the operating performance of component reporting entities and the budgetary resources that finance component reporting entity activities.

Proposed Approach:

I. Consider Existing Concepts, Standards, Other Guidance, and Legislation:

The project will focus on Statement of Federal Financial Accounting Concepts (SFFAC) 1, Objectives of Federal Financial Reporting to help evaluate existing guidance such as SFFAS 7: Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting.

Additional guidance that will be considered includes the following:

- SFFAC 2, Entity and Display
- Implementation Guide Accounting for Revenue and Other Financing Sources. June 1996
- Office of Management and Budget (OMB) A-11, Preparation, Submission and Execution of the Budget
- Office of Management and Budget (OMB) A-136 Financial Reporting Requirements

II. Resources

Staff will coordinate with other federal initiatives to improve user experience and access to data, consult experts in user experience design, and use task forces as needed to help address enhancements to financial reporting standards.

III. Research Steps

A. Update information on user experiences accessing government financial information. Updating information on the user’s experience will help facilitate an understanding of the information users seek in the electronic environment, how they search for information, how the information is or would be used, the sources of information, and concerns with existing presentations. To accomplish this step, staff plans to

   a. Review previous user needs results.
   b. Review user experience assessments of open data and other federal electronic reporting initiatives.
   c. Collaborate with other government entities researching user experiences in accessing government data.
   d. Research literature on trends regarding how users consume data and their sources of information about government.
   e. Interview potential users (if necessary and feasible) regarding the information they seek, search approach, sources, and concerns with existing presentations.
B. Given the government’s open data practices and the broad budgetary integrity and operating performance reporting objectives, determine concepts that would help the Board distinguish the information that financial statements and required supplementary information (RSI) other than MD&A should present versus open data portals and other electronic government reporting sources. To accomplish this step, staff plans to

   a. Inquire of Board members to determine concepts that might be helpful to them in determining the information that should be presented in financial statements and RSI when the government provides free access to anyone needing the information.
   b. Review concepts and standards to determine

      i. the Board’s rationale for explicitly permitting or encouraging reporting entities to reference other sources rather than requiring information in financial statements and RSI other than MD&A
      ii. the Board’s rationale for requiring nonfinancial information in financial statements and RSI other than MD&A
      iii. the Board’s rationale for rescinding requirements for presenting information in financial statements and RSI other than MD&A

   c. Review existing concepts regarding demonstrating accountability to determine whether the concepts remain relevant for financial statements and RSI presented electronically in an open data environment.
   d. Compare concepts identified in steps Ba. – Bc. to qualitative characteristics discussed in SFFAC 1 and determine whether amendments are needed.
   e. Review other accounting-standards setters’ criteria for determining the information that should be considered for presentation in non-accrual basis presentations of their reporting models.

C. Determine the characteristics of nonfinancial performance information that would help meet the operating performance reporting objective. To accomplish this step, staff plans to

   a. Review the results of step B. above.
   b. Review FASAB concepts and the Board’s basis for requiring the existing presentation of performance information.

D. Based on the results of the previous steps, A-C, design a model for presenting budgetary and performance information in basic and/or RSI other than MD&A. To accomplish this step, staff plans to

   a. Engage a task force to review the user experience research and develop a statement of the problem.
   b. Develop ideas to address problem areas
   c. Design a model that addresses the problems
   d. Engage potential users to test the model
   e. Revisit the model based on user test results
   f. Evaluate the feasibility of preparing the actual presentation
g. Determine enhancements to standards that might be needed to develop the model
h. Propose model and enhancements to standards

Timeline:

**September 2019 – September 2020**
- Research

**October 2020 – September 2021**
- Research
- Discuss preliminary design of enhanced model

**October 2021 – September 2022**
- Develop ED

**October 2022 – September 2023**
- Develop ED

**October 2023 – September 2024**
- Due Process
- Issue GAAP document
Appendix I: Existing Model

The diagram below shows the federal financial reporting objectives and the current, basic financial statement that component reporting entities present to help address each objective.

Figure 1: Existing Component Reporting Entity Reporting Model
Appendix II: Example MD&A Analyses of Statements of Budgetary Resources (SBR) and SBR

The following presentations provide examples of how reporting entities analyze and discuss the SBR in their MD&A and the format and technical terms used to present the SBR.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) provides information on budgetary resources available to the NRC and their status at the end of the period. In FY 2018, the Total Budgetary Resources of $975.2 million were available. This was $4.0 million less than the $979.2 million available for FY 2017. The two major components of Total Budgetary Resources that contributed to the decrease are appropriations and the beginning unobligated balance brought forward, October 1. The decrease is due to the decrease of $7.3 million in the unobligated balances brought forward, net and $1.6 million in spending authority from offsetting collections, offset by an increase in appropriations of $4.9 million.

The SBR accounts for operational activities funded with the NRC’s budgetary resources during the fiscal year. The NRC’s obligations for FY 2018 totaled $934.0 million, a decrease of $6.5 million from the prior-year amount of $940.5 million.

The SBR also accounts for the funds that were not used in operations during the fiscal year. Total budgetary resources not obligated at the end of the fiscal year were $41.1 million, an increase of $2.4 million from the prior-year balance of $38.7 million.

Figure 2: Example MD&A Discussion and Analysis of an SBR
## Statement of Budgetary Resources *(IN THOUSANDS)*

For the fiscal years ended September 30, 2018 and 2017

<table>
<thead>
<tr>
<th>Budgetary Resources:</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unobligated balance from prior-year budget authority, net</td>
<td>$49,226</td>
<td>$56,460</td>
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<tr>
<td>Appropriations</td>
<td>921,928</td>
<td>917,129</td>
</tr>
<tr>
<td>Spending authority from offsetting collections</td>
<td>4,004</td>
<td>5,626</td>
</tr>
<tr>
<td><strong>Total Budgetary Resources</strong></td>
<td><strong>$975,158</strong></td>
<td><strong>$979,215</strong></td>
</tr>
<tr>
<td>Memorandum Entry:</td>
<td></td>
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</tr>
<tr>
<td>Net adjustments to unobligated balance brought forward Oct 1</td>
<td>$10,538</td>
<td>$14,503</td>
</tr>
</tbody>
</table>

### Status of Budgetary Resources:

<table>
<thead>
<tr>
<th>Status of Budgetary Resources:</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>New obligations and upward adjustments (total) (Note 12)</td>
<td>$934,014</td>
<td>$940,527</td>
</tr>
<tr>
<td>Unobligated balance, end of year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apportioned, unexpired accounts</td>
<td>39,575</td>
<td>35,071</td>
</tr>
<tr>
<td>Exempt from apportionment, unexpired accounts</td>
<td>431</td>
<td>532</td>
</tr>
<tr>
<td>Unapportioned, unexpired accounts</td>
<td>3</td>
<td>2,570</td>
</tr>
<tr>
<td>Unexpired unobligated balance, end of year</td>
<td>40,009</td>
<td>38,173</td>
</tr>
<tr>
<td>Expired unobligated balance, end of year</td>
<td>1,135</td>
<td>515</td>
</tr>
<tr>
<td>Unobligated balance, end of year (total)</td>
<td>41,144</td>
<td>38,688</td>
</tr>
<tr>
<td><strong>Total Status of Budgetary Resources</strong></td>
<td><strong>$975,158</strong></td>
<td><strong>$979,215</strong></td>
</tr>
</tbody>
</table>

### Outlays, net:

<table>
<thead>
<tr>
<th>Outlays, net:</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outlays, net</td>
<td>900,866</td>
<td>919,534</td>
</tr>
<tr>
<td>Distributed offsetting receipts</td>
<td>(781,825)</td>
<td>(789,648)</td>
</tr>
<tr>
<td><strong>Agency Outlays, Net</strong></td>
<td><strong>$119,041</strong></td>
<td><strong>$129,886</strong></td>
</tr>
</tbody>
</table>

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Figure 3: Example SBR
**Statement of Budgetary Resources**

The Combined Statement of Budgetary Resources displays the budgetary resources available to HHS throughout FY 2018 and FY 2017, and the status of those resources at the fiscal year-end. The primary components of HHS’s resources, totaling approximately $1.8 trillion for FY 2018, are appropriations from Congress, resources not yet used from previous years (unobligated balances from prior year budget authority), and spending authority from offsetting collections and borrowing authority. This represents an increase of $75.2 billion or 4 percent, over FY 2017. The following graph highlights trends in these balances over the past two fiscal years.

![Total Budgetary Resources Graph](image)

The increase in appropriations is primarily related to increases in Medicaid of $20.7 billion, SMI of $16.3 billion, and Payments to the Trust Funds of $14.1 billion. For further details, see the Combining Statement of Budgetary Resources in the “Financial Section” of this report.

The increase of $18.8 billion in unobligated balance from prior year budget authority is primarily due to changes in unobligated balance of $41.2 billion reflecting an increase in Payment to the Trust Fund for repayment made in FY 2018 for the Federal Matching SMI Repayment Loan that was established in FY 2016 and an increase in Medicaid for the refund collections on PY Medicaid grant awards from the states. These increases are offset by the unobligated balance brought forward from prior year balance decrease of $22.9 billion.

**Figure 4: Example Discussion and Analysis of an SBR**
<table>
<thead>
<tr>
<th>Budgetary Resources</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unobligated Balance from Prior Year Budget Authority, Net</td>
<td>$97,593</td>
<td>$78,846</td>
</tr>
<tr>
<td>Appropriations (Discretionary and Mandatory)</td>
<td>1,646,670</td>
<td>1,565,475</td>
</tr>
<tr>
<td>Borrowing Authority (Discretionary and Mandatory)</td>
<td>(127)</td>
<td>3,871</td>
</tr>
<tr>
<td>Spending Authority from Offsetting Collections (Discretionary and Mandatory)</td>
<td>13,644</td>
<td>14,360</td>
</tr>
<tr>
<td><strong>Total Budgetary Resources (Note 21)</strong></td>
<td>$1,757,780</td>
<td>$1,682,552</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Status of Budgetary Resources</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New Obligations and Upward Adjustments (Notes 17 and 21)</td>
<td>$1,680,053</td>
<td>$1,647,162</td>
</tr>
<tr>
<td>Unobligated Balance, End of Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apportioned, Unexpired Accounts</td>
<td>43,508</td>
<td>15,376</td>
</tr>
<tr>
<td>Exempt from Apportionment, Unexpired Accounts</td>
<td>188</td>
<td>(12,103)</td>
</tr>
<tr>
<td>Unapportioned, Unexpired Accounts</td>
<td>9,970</td>
<td>7,997</td>
</tr>
<tr>
<td>Unexpired Unobligated Balance, End of Year</td>
<td>53,666</td>
<td>11,270</td>
</tr>
<tr>
<td>Expired Unobligated Balance, End of Year</td>
<td>24,051</td>
<td>24,120</td>
</tr>
<tr>
<td>Unobligated Balance, End of Year</td>
<td>77,727</td>
<td>35,390</td>
</tr>
<tr>
<td><strong>Total Budgetary Resources (Note 21)</strong></td>
<td>$1,757,780</td>
<td>$1,682,552</td>
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</table>

<table>
<thead>
<tr>
<th>Outlays, Net</th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Outlays, Net (Discretionary and Mandatory) (Note 20)</td>
<td>1,589,140</td>
<td>1,562,696</td>
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<tr>
<td>Distributed Offsetting Receipts (Note 20)</td>
<td>(468,877)</td>
<td>(446,103)</td>
</tr>
<tr>
<td>Agency Outlays, Net (Discretionary and Mandatory) (Note 20)</td>
<td>$1,120,263</td>
<td>$1,116,593</td>
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</table>

**Figure 5: Example SBR**