

# What's Important in Federal Financial Reporting

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# FASAB's Reporting Model Task Force

- Decided to start on the Consolidated Financial Statements
- Wanted to know about user needs
- Began with 3 user needs studies released in April 2010
  - Federal leaders – want management information
  - Congress – want selected program information

# User Needs Survey - Citizens

- Telephone survey of 1,043 randomly-selected US adults 18 and over
- Two focus groups
  - Boston
  - Dallas

# What Citizens Want

- They do not trust the media and analysts
- They want information themselves and believe they are entitled to it
- They did not know that financial information is available, so they must rely on media, not for interpretations, but for access
- They want to be made aware of information, and be told by mail or internet

# So What Do Citizens Really Want?

- In a Word: Everything
- Who gets federal funds, how much are salaries and benefits, how much does the war cost, how much does space exploration cost, what was accomplished with funds provided
- Current financial condition and future viability
- Individual agency spending

# More.....

- They want layered reports so they can see the big picture and drill down to answer their individual question
- Info must be understandable, timely, accessible
- When told about it, the focus groups liked the Citizen's Guide, believed it should be sent to every citizen or at least be told how to get one

# Given these broad needs, what's important at the Consolidated Level?

1. Financial Statements – some more than others
2. Statement of Long-Term Fiscal Sustainability (SFFAS 36)
  - Starts in 2010
  - Starts with the PV of revenue and expenditure for the next 75 years
  - Measures changes in interperiod equity best

# Consolidated....

## 3. Packaging of the reports

- Must use the Internet
- Needs a central data entry point for the federal government
- Start with Consolidated for broad view, departments next level

## 4. Functions (Defense, Health Care, Education) more important than departments

## 5. Citizen's Guide most important: helps frame results

# Consolidated.... (This Is Where I am Leaving the FASAB Reporting Model Task Force)

- Framing is important
  - See Washington Post article
  - *\$1.3 trillion deficit a slight improvement*
  - Confusing language
    - *deficit was lower than predicted*
    - *annual deficit or accumulated*
  - Still not GAAP, the basis for all other governmental and corporate reporting in the United States
  - Does GAO review these press releases?

# What is Important at the Department Level?

## 6. Balance Sheets

- Stake in the sand
- Final true-up
- Even if eliminated, balances needed for auditing

## 7. Audits

- Too expensive, and likely to stay that way
- SGL entries and reporting very complicated
- Weak internal controls
- Too many on-top entries (JV'S)
- Fed staff stretched
- Expectation of perfect audits: fear of failure

# What Else is Important at the Department Level?

## 8. Performance measures

- Must be linked to the Strategic Plan
- Must be linked to the Statement of Net Cost