

Guam Professional Development Conference

“Trends, Tools,
and Techniques
in Today’s
Financial
Environment”

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19, 2014

Hotel Nikko
Guam

Electronic and Popular Reporting

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AGA's E-Reporting Research Project – 2012:

Presented by:

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Mississippi College
AGA Past National President &
AGA Past National Treasurer

http://www.agacgfm.org/AGA/Research/CPResearch32_final.pdf



Standard Setters – GASB:

- Six Qualitative Characteristics:
 - *Relevance*
 - *Understandability*
 - *Comparability*
 - *Timeliness*
 - *Consistency*
 - *Reliability*
- Purpose – **ACCOUNTABILITY**...requires governments to answer to the citizenry...



Standard Setters – FASAB:

- Four Objectives:
 - ***Budget Integrity*** – FR should demonstrate accountability with regard to raising & expending moneys in accordance with budget, laws & regulations
 - ***Operating Performance*** – FR should enable evaluations of the service efforts, costs & accomplishments of the reporting entity
 - ***Stewardship*** – FR should enable an assessment of the impact on the nation of the government's operations & investments
 - ***Systems and Control*** – FR reveal whether financial systems & controls are adequate

www.fasab.gov



Recent Developments:

- **AGA's Citizen Centric Reporting – 2006**
[http://www.agacgfm.org/Advocacy---Accountability/Citizen-Centric-Reporting-\(CCR\).aspx](http://www.agacgfm.org/Advocacy---Accountability/Citizen-Centric-Reporting-(CCR).aspx)
 - AGA launched the CCR project in 2006 as an advocate on behalf of the citizens of the 88,000 governments. AGA created the CCR as a template governments could use for clear, understandable, popular reporting, focusing on accountability to the citizens
- **ARRA – 2009**
http://www.recovery.gov/About/Pages/The_Act.aspx
 - The American Recovery and Reinvestment Act of 2009 was passed to provide \$727 Billion in stimulus money to jump start and prop up the fledgling U.S. Economy.



Recent Developments:

- **AGA Research – Accountability Pyramid – 2010**
<http://www.agacgfm.org/AGA/Documents/Research/ExecutiveSessionSummary0111-1-.pdf>
 - The Accountability Pyramid was developed by Ernst & Young to draw together AGA research efforts in 2008 and as a model to explain and demonstrate the data transformation from its raw form to user reports. The Pyramid has been further refined to show reporting of data to the program and project level
- **NASCIO's security & trust study – 2010**
<http://www.nascio.org/publications/documents/Deloitte-NASCIOCybersecurityStudy2010.PDF>
 - National Association of State's Chief Information Officers 2010 study reports on their research surrounding the technologies, security, and trustworthiness over access to government data.



Recent Developments:

- **FASAB's reporting model taskforce recommendations on e-reporting –**

[2010http://www.fasab.gov/pdffiles/2010dec22_financial_reporting_model_task_force.pdf](http://www.fasab.gov/pdffiles/2010dec22_financial_reporting_model_task_force.pdf)

- FASAB coordinated a taskforce which examined electronic reporting of federal financial statements; this report is the report of the taskforce's findings and recommendations.

- **U.S. PIRG & Frontier Group online access study – March 2012**

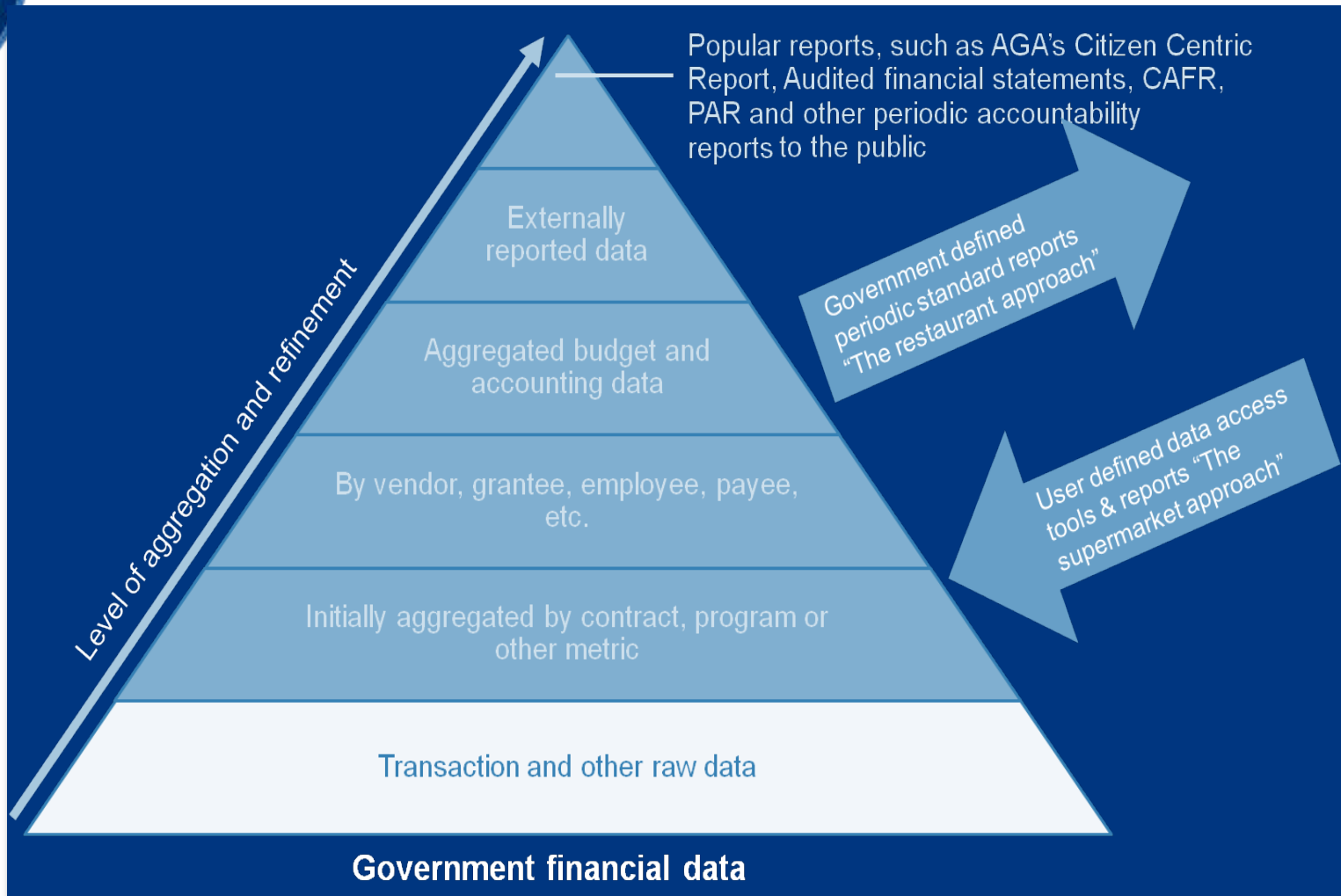
<http://www.uspirg.org/reports/usp/following-money-2012>

- This study shows the accessibility of the state's websites regarding a host of financial, non-financial, and performance data and was conducted by the U.S. Public Interest Research Group and the Frontier Group.

- **DATA Act – 2012 (H.R.2146, passed House, referred to the Senate, April)**

- The Digital Accountability and Transparency Act has as its primary purpose requiring accountability and transparency in federal spending. It includes requirements for standardization of data definitions, data elements and reporting standards for common financial information across federal agencies and other recipients of federal monies.

Accountability Pyramid





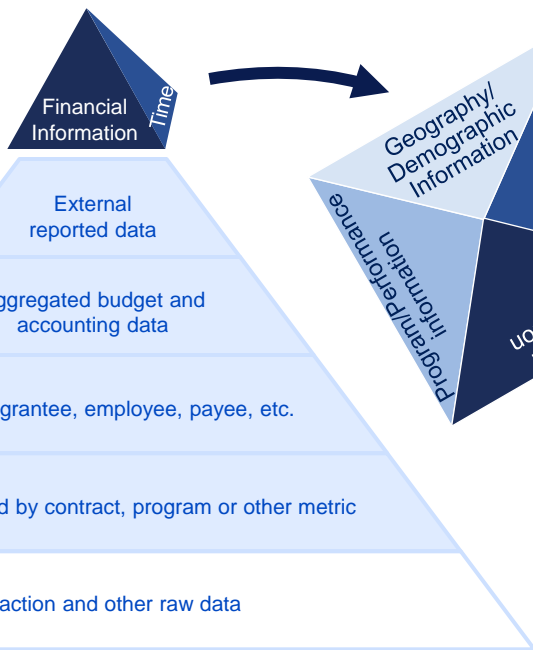
Array financial/performance-in 3D

- Lead the way with accessible financial related information at the level users want
- Allow overall assessment of governments, but also of subcomponents and programs
- Need performance information and geography/demographics to give the financial related information life for users
- End game - 3D pyramid building blocks to allow users to relate performance measures and financial related information- efficiency/effectiveness/outcomes for resources over time

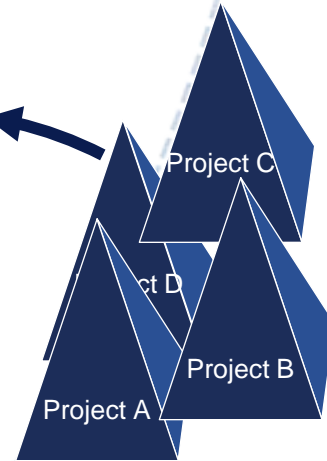
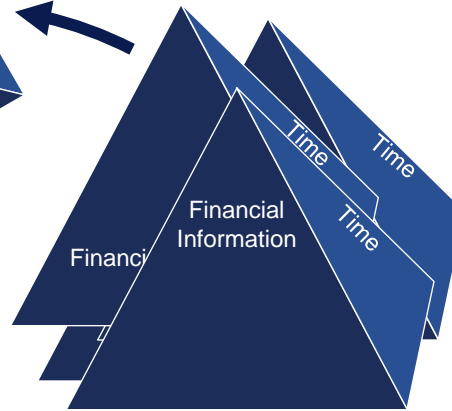
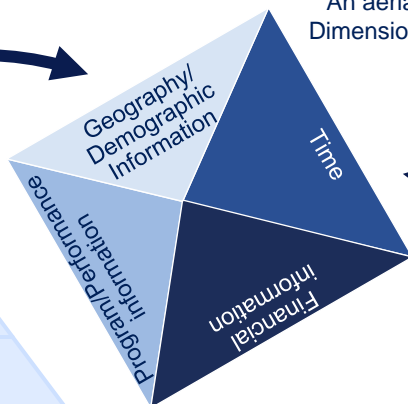


While comparative financial statement reporting largely addresses two dimensions at an aggregate level at the top of the Pyramid for GPFS, there are at least four dimensions to the Accountability Pyramid and a deeper dive into the data that are important to users to enable them to make decisions at an actionable/lower level...

Two dimensions at the top for General Purpose Financial Statements



An aerial view reveals the four Dimensions of each pyramid for a deeper dive



....with multiple building blocks/pyramids for projects grouped into programs, bureaus and Departments, ultimately aggregating to Agencies and the Consolidated government entity





'Traditional' GAAP Reporting

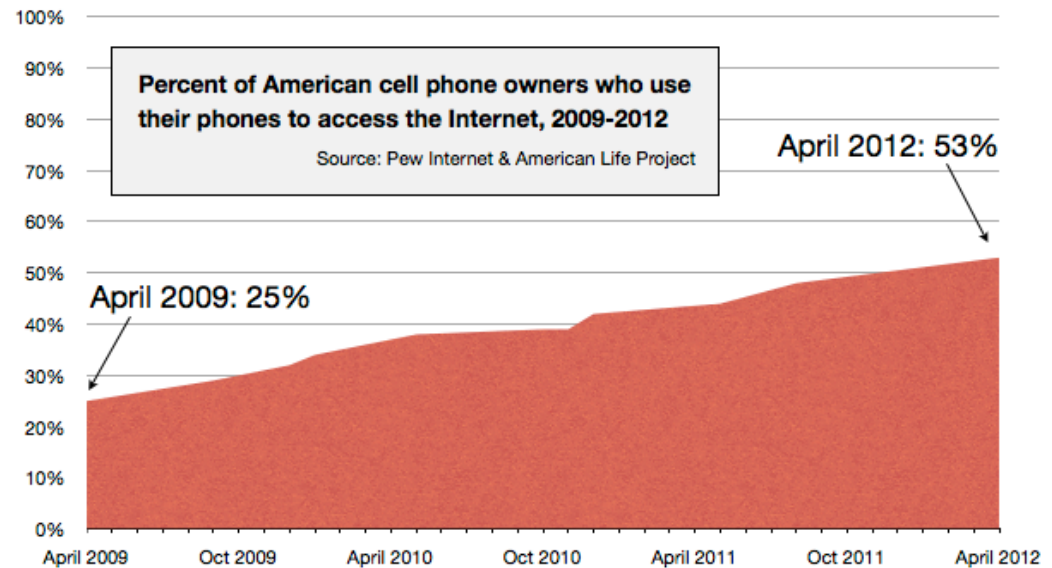
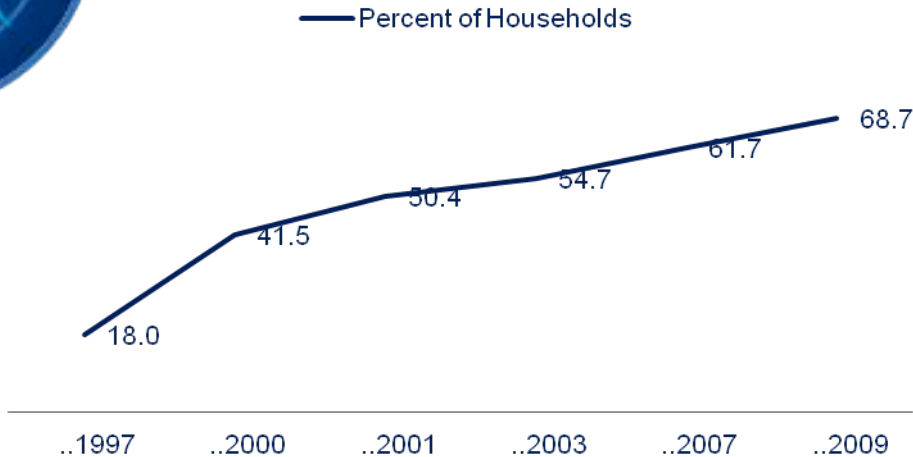
- Caveat – GAAP reporting is not a universally accepted tradition for governments.
- Delivering GAAP based Information:
 - Once a year
 - Clear boundaries – “inside the covers”
 - Completeness
 - “Seal of approval” and limitations
 - Format
 - Paper
 - Static
 - Serial delivery
- Advertising GAAP based information



An illustration of ineffective communication

Growth in Use of the Internet at Home & Cellular Phones

Internet Use in Homes





FASAB Research – Overall Needs

- Participants (internal and external) were generally **unaware** of financial statements.
- Participants sought information that tends to be particular and **specialized**.
- **Understandability** of financial information was a concern.
- **Centralized source** for obtaining data desired.
- Citizens do not **focus on** departments and agencies. They think about **health, education, homeland security**, etc.
- **Performance information** sought by all user groups.



FASAB Research – Citizens

- Want **electronic** access
- Not familiar with departments – think of **programs or functions**
- A **summary** of key items and **links** to more detail or drill-down capability
- **Highly visual** presentations, such as graphs, charts, maps, etc. linked to additional information, **limited text**



FASAB Research – Internal Needs

- Program managers and executives
 - **Creating own systems/records**
 - Concerned with **timely** access, **understandability**, and level of aggregation
- Congressional users
 - Must consult **various sources** to obtain data
 - Need **quality program performance** information
 - **Understandability**

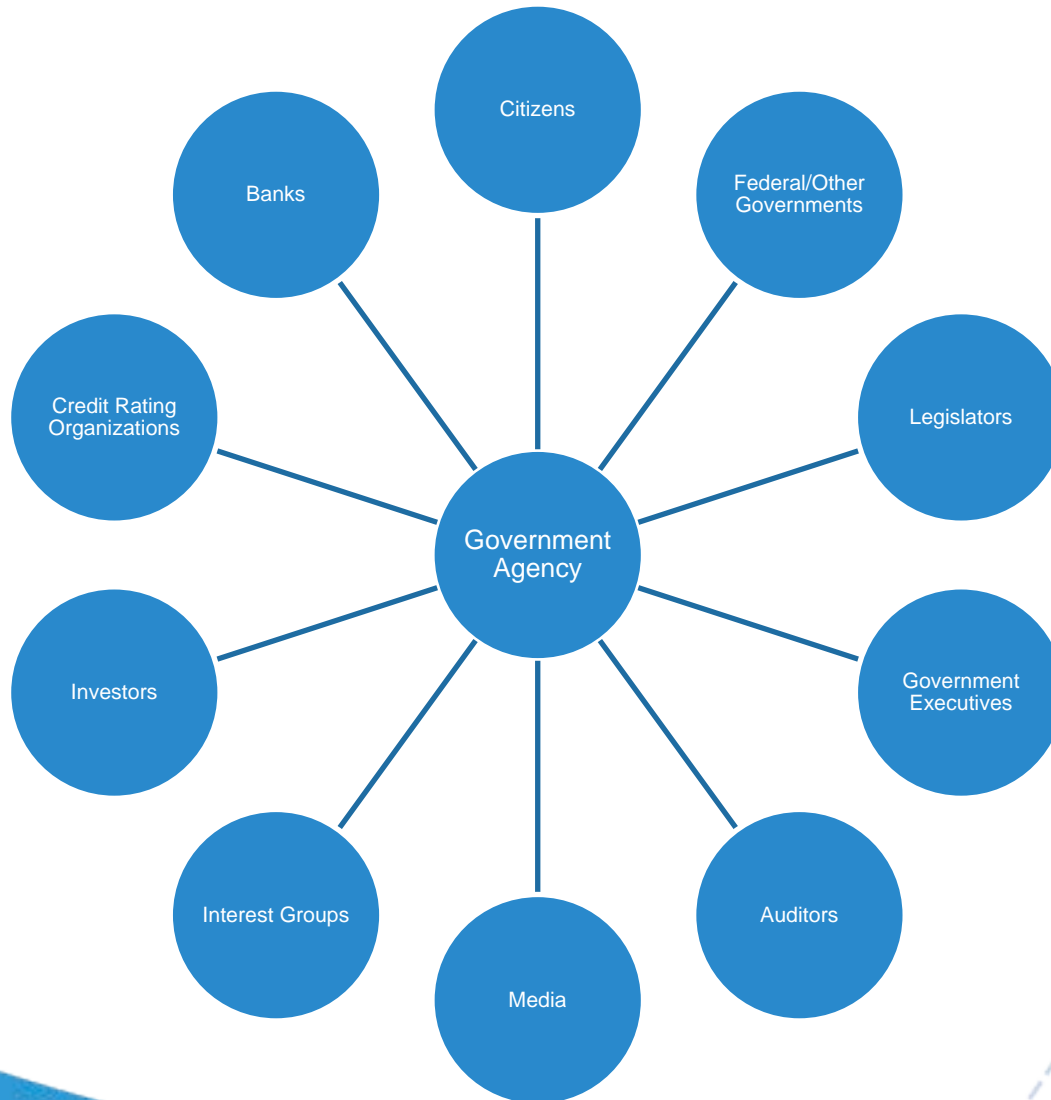


FASAB Task Forces:

- **Budgetary Reporting**
- **Statement of Net Cost**
- **Performance Reporting**

- **Common concerns:**
 - Program data
 - Full cost as well as budget information
 - DEFINITIONS

Stakeholders of Government Financial Reporting





What is E-Reporting?

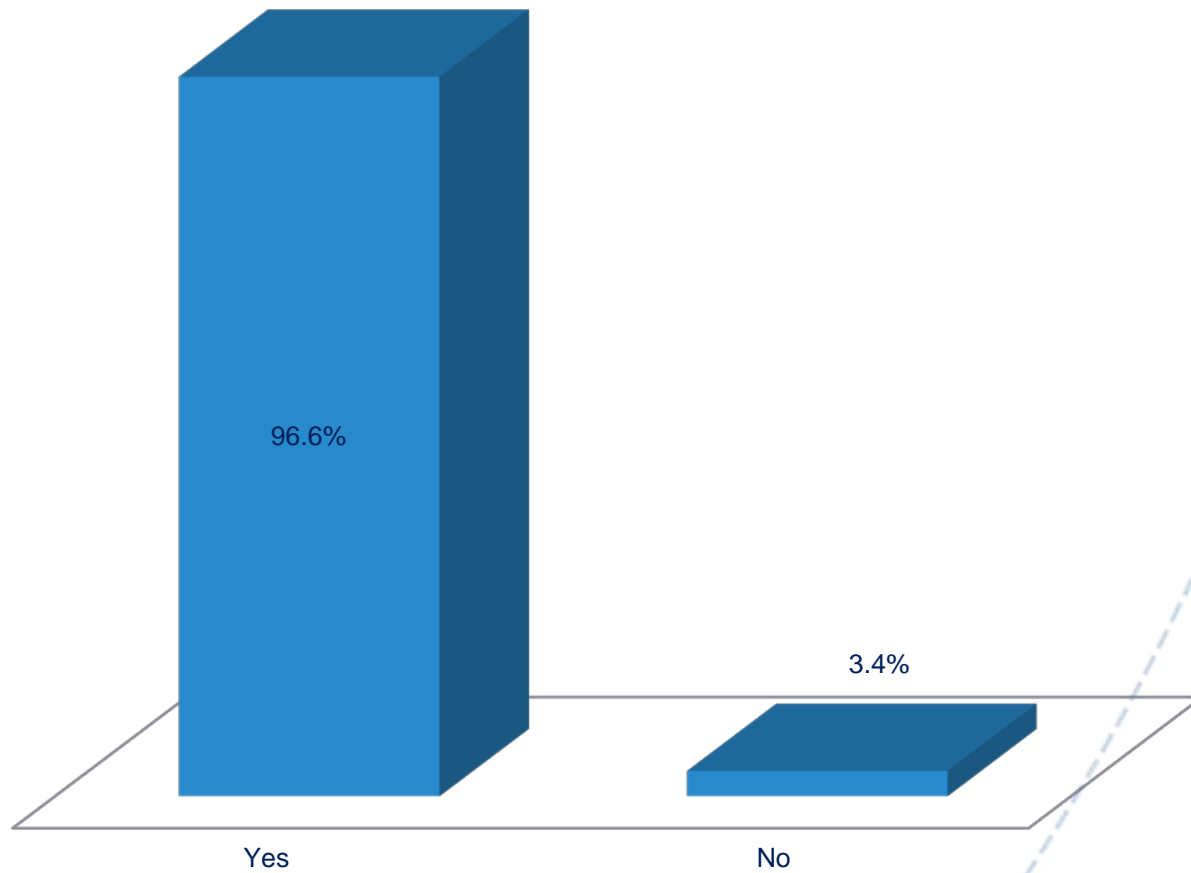
- Includes the electronic access of government:
 - Financial
 - Non-financial
 - PerformanceData through a federal, state, or local website

Who responded?

- 828 Respondents:
 - 304 citizens (36.7% of total) (21% indicated some financial knowledge)
 - 19 media (2.3% of total)
 - 505 financial professionals (61% of total)
 - 75.1% (621) employed in government related field
 - 23.9% (199) not employed in government
 - 1% other (8)(mostly retired from or former employee in government related field)



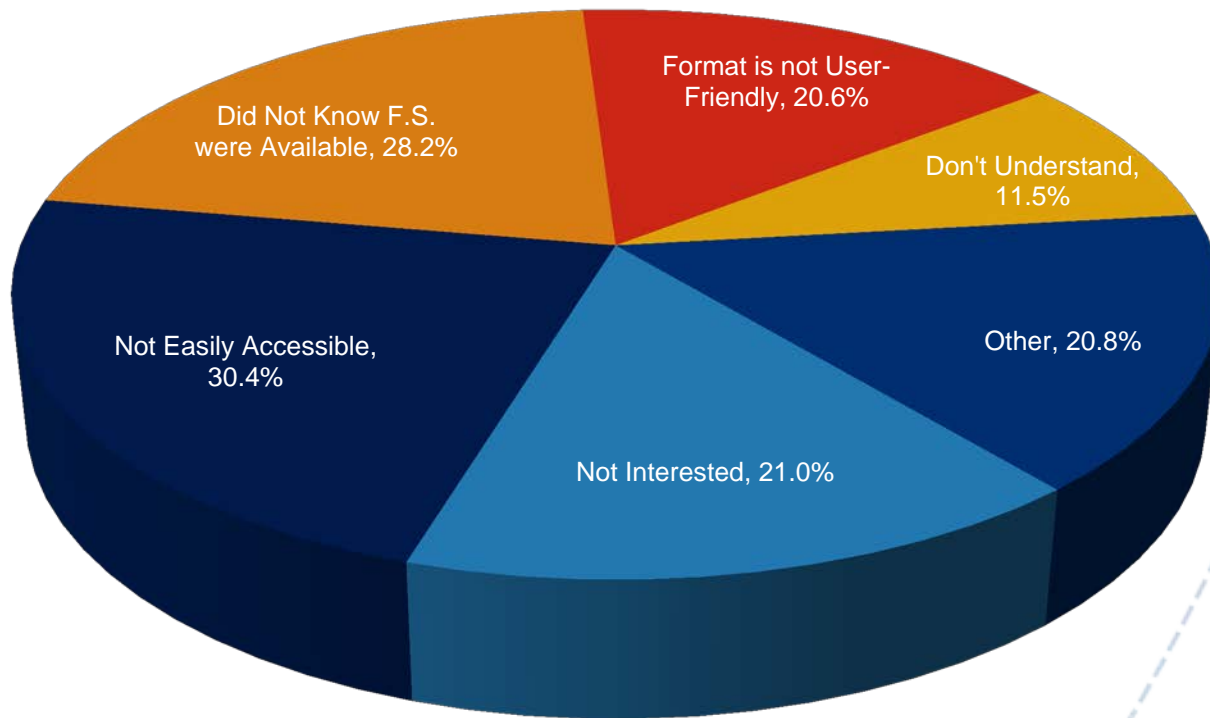
Do Respondents Want Governments to Provide Electronic Access?





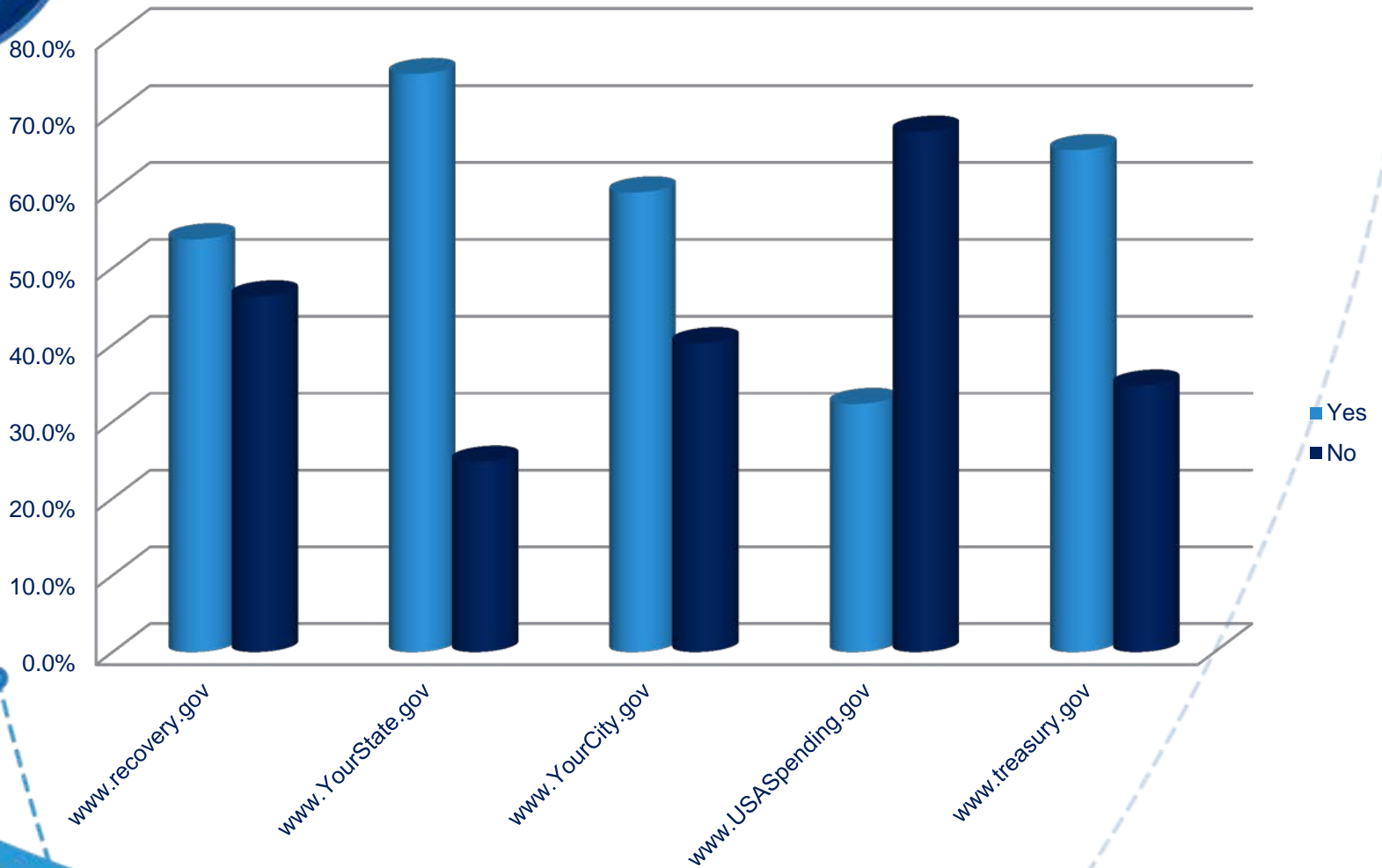
Why Respondents Have Not Used Government Financial Statements

(numbers exceed 100% - respondents could choose more than one responses)

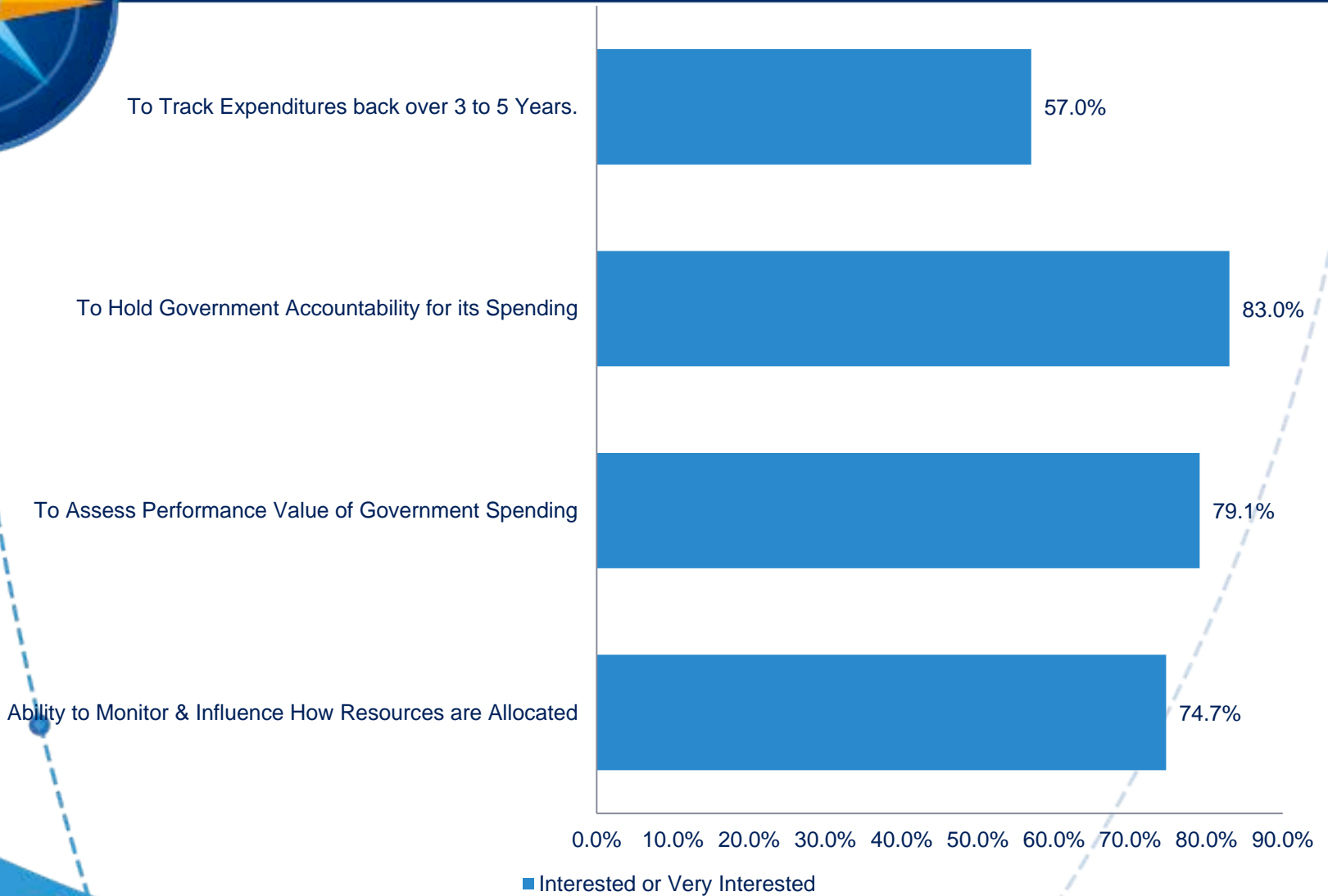




Have Respondents Visited These Websites?

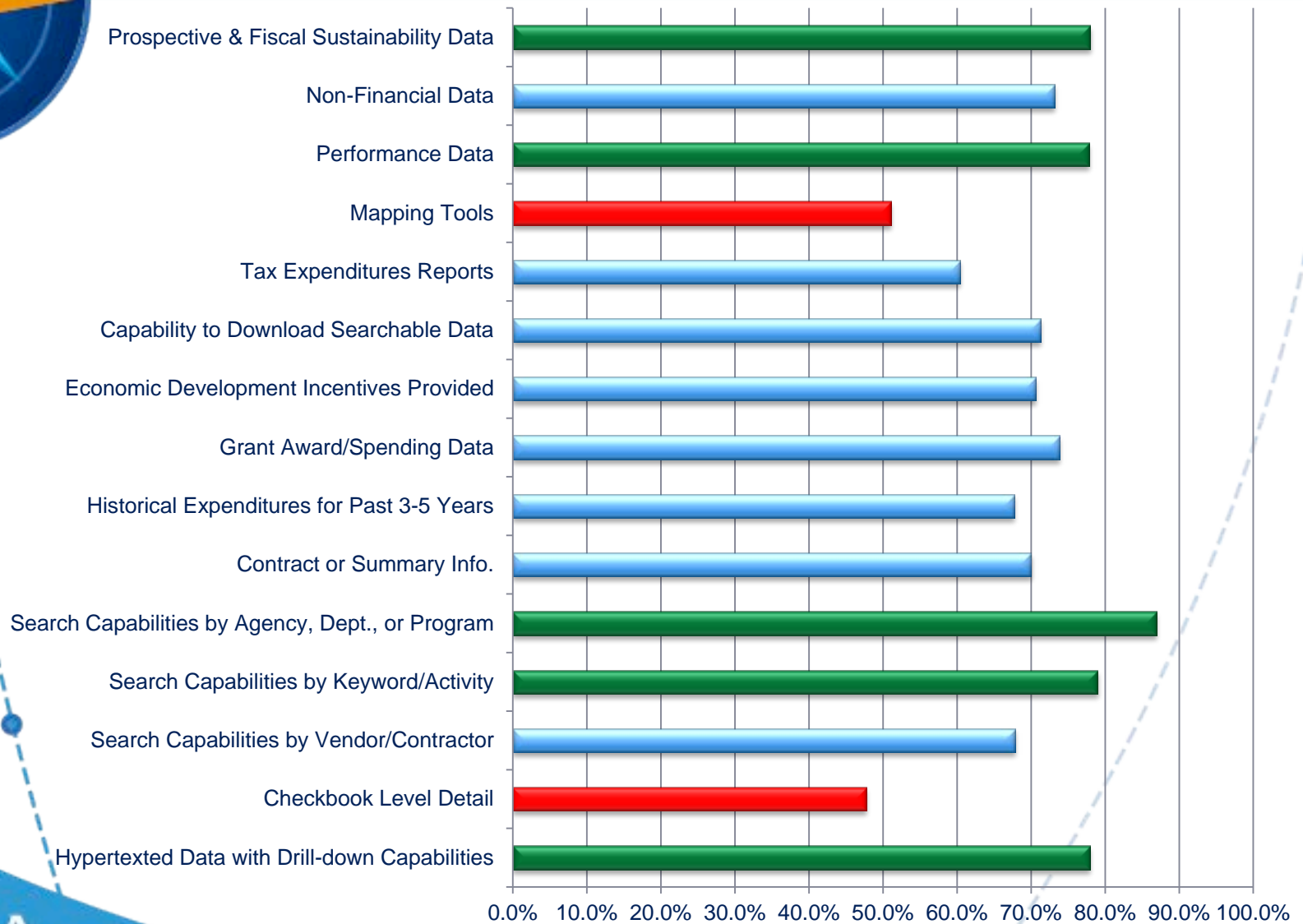


Why Respondents Use Government Websites



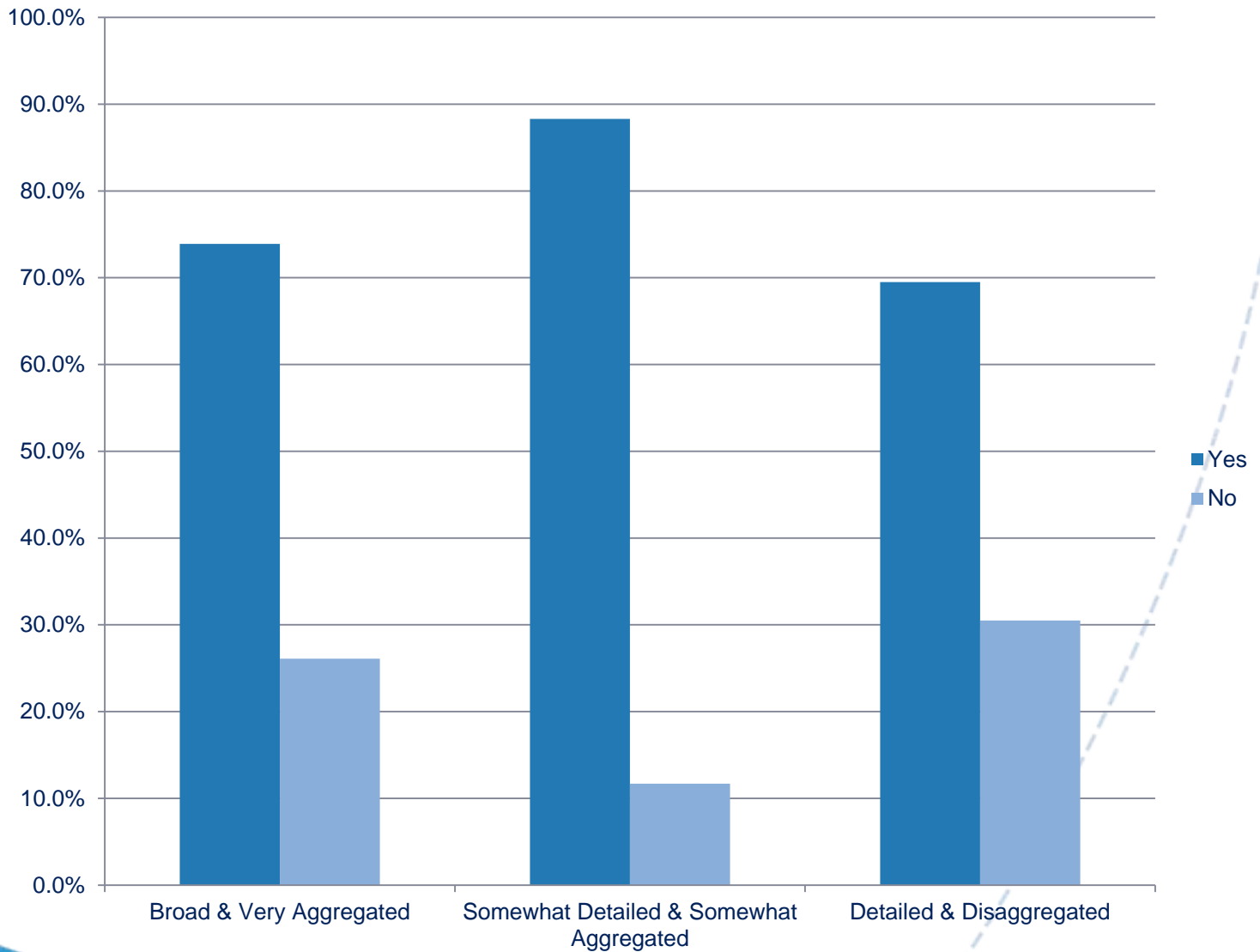


Respondents Interest In Website Capabilities





Preferred Level of Detail Reported





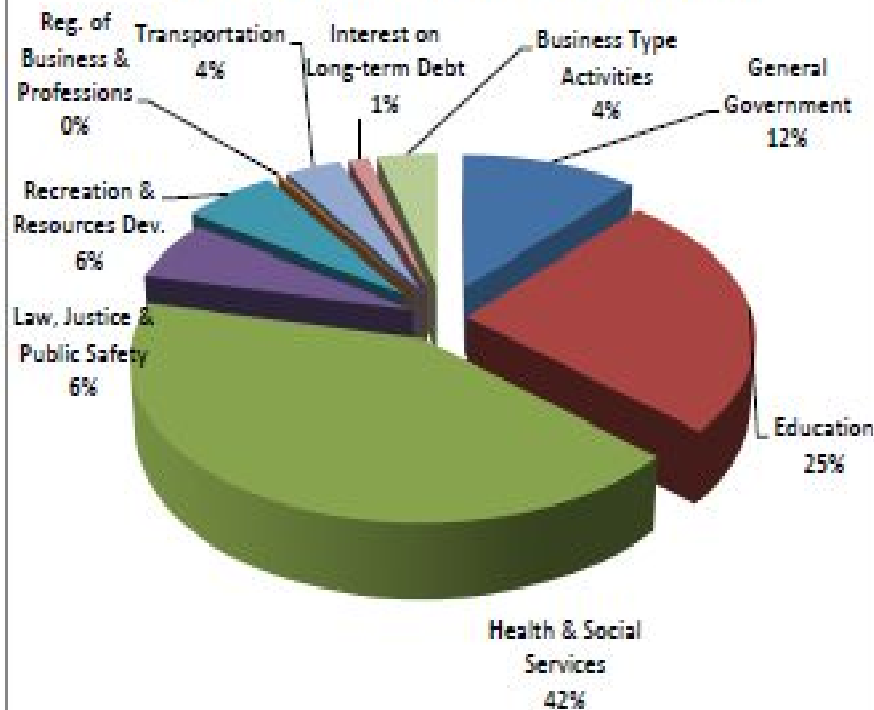
Changes in Net Assets
(amounts expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------------|-----------------------------|-------------------|----------------------|----------------------|
| | 2011 | 2010 * | 2011 | 2010 | 2011 | 2010 * |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 2,155,782 | \$ 2,130,303 | \$ 298,208 | \$ 158,178 | \$ 2,453,990 | \$ 2,288,481 |
| Operating grants and contributions | 7,896,876 | 7,795,111 | 310,704 | 382,141 | 8,207,580 | 8,177,252 |
| Capital grants and contributions | 603,098 | 643,843 | 16 | 24 | 603,114 | 643,867 |
| General Revenues: | | | | | | |
| Taxes | 5,921,054 | 5,803,265 | | | 5,921,054 | 5,803,265 |
| Investment income | 91,185 | 54,935 | 62,388 | 44,548 | 153,573 | 99,483 |
| Total Revenues | 16,667,995 | 16,427,457 | 671,316 | 584,891 | 17,339,311 | 17,012,348 |
| Expenses: | | | | | | |
| General government | 1,880,341 | 2,011,806 | | | 1,880,341 | 2,011,806 |
| Education | 4,138,406 | 4,082,117 | | | 4,138,406 | 4,082,117 |
| Health and social services | 6,871,858 | 6,747,426 | | | 6,871,858 | 6,747,426 |
| Law, justice and public safety | 1,006,887 | 1,095,181 | | | 1,006,887 | 1,095,181 |
| Recreation and resource development | 1,001,306 | 1,058,604 | | | 1,001,306 | 1,058,604 |
| Regulation of business and professions | 37,438 | 38,188 | | | 37,438 | 38,188 |
| Transportation | 592,642 | 689,802 | | | 592,642 | 689,802 |
| Interest on long-term debt | 223,856 | 146,732 | | | 223,856 | 146,732 |
| Unemployment compensation | | | 520,790 | 669,679 | 520,790 | 669,679 |
| Port Authority at Gulfport | | | 30,276 | 23,243 | 30,276 | 23,243 |
| Prepaid affordable college tuition | | | 45,754 | 42,183 | 45,754 | 42,183 |
| Other business-type | | | 38,671 | 38,074 | 38,671 | 38,074 |
| Total Expenses | 15,752,734 | 15,869,856 | 635,491 | 773,179 | 16,388,225 | 16,643,035 |
| Excess (deficiency) | | | | | | |
| before Transfers | 915,261 | 557,601 | 35,825 | (188,288) | 951,086 | 369,313 |
| Transfers | (22,871) | (29,896) | 22,871 | 29,896 | | |
| Change in Net Assets | 892,390 | 527,705 | 58,696 | (158,392) | 951,086 | 369,313 |
| Net Assets - Beginning, as restated | 11,796,168 | 11,268,463 | 843,772 | 1,002,164 | 12,639,940 | 12,270,627 |
| Net Assets - Ending | \$ 12,688,558 | \$ 11,796,168 | \$ 902,468 | \$ 843,772 | \$ 13,591,026 | \$ 12,639,940 |

* As restated in Note 2 to the financial statements.



FY 2011 Expenses by Function



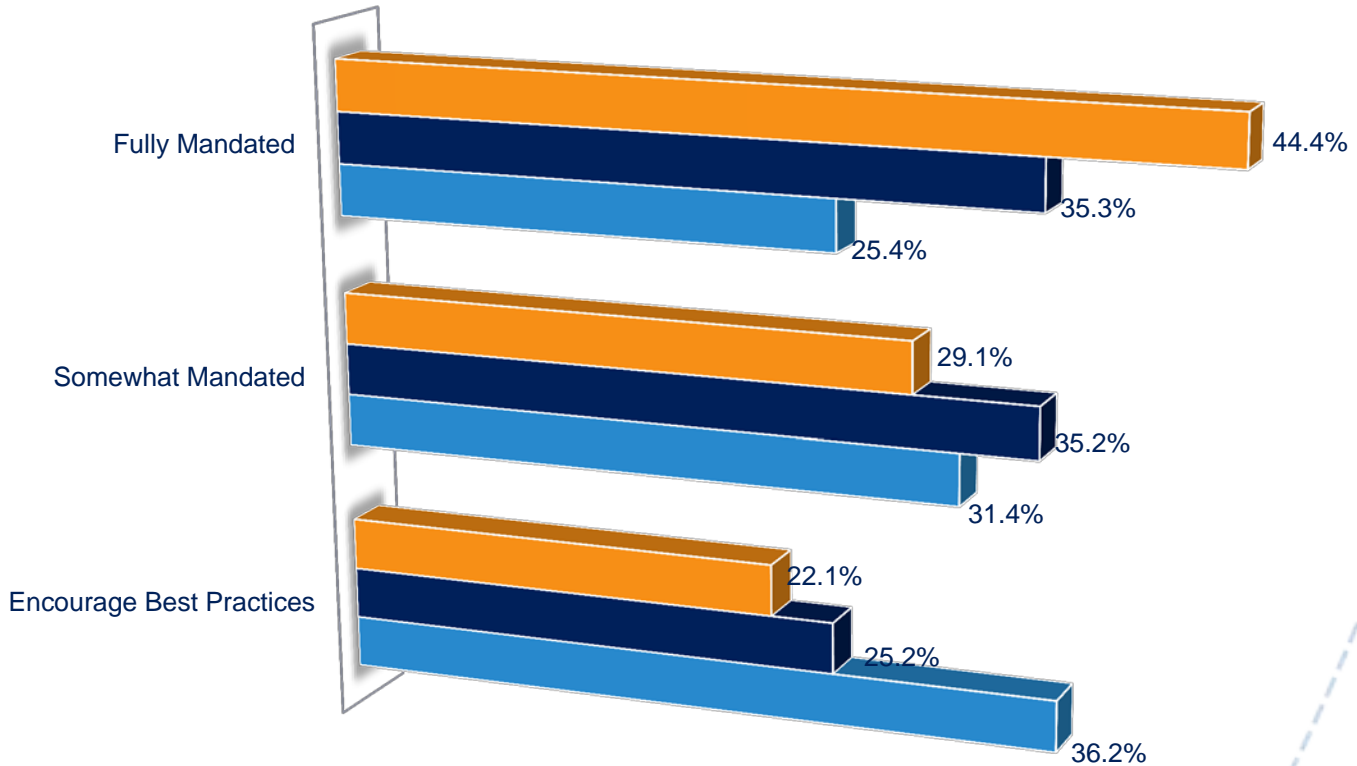
| Expenses by Function (dollars in thousands) | 2011 Expenses |
|--|---------------------|
| General Government | \$1,880,341 |
| Education | 4,138,406 |
| Health & Social Services | 6,871,858 |
| Law, Justice & Public Safety | 1,006,887 |
| Recreation & Resources Dev. | 1,001,306 |
| Reg. of Business & Professions | 37,438 |
| Transportation | 592,642 |
| Interest on Long-term Debt | 223,856 |
| Business Type Activities | 635,491 |
| Total Expenses by Function | \$16,388,225 |



| Selected Performance Measures | FY 2011 Targeted | FY 2011 Actual | FY 2010 Actual |
|--|------------------|----------------|----------------|
| Education | | | |
| Percent of Students Completing High School | 84.0 | 91.4 | 89.2 |
| Percent of Students Passing All Tests Taken | 75.0 | 75.8 | 75.8 |
| Natural Resources | | | |
| Percent of Private Land Acreage in Texas Managed to Enhance Wildlife | 16.2 | 17.9 | 16.9 |
| Number of Grant-assisted Projects Completed Note: Grant-assisted projects are local park acquisition, development or construction projects that receive a state or federal matching grant. | 39 | 38 | 37 |
| Public Safety | | | |
| Number of Crimes Committed per 100,000 Population (Index Crime Rate) | 4,600 | 4,600 | 4,600 |
| Number of Emergency Incidents Coordinated | 5,000 | 4,679 | 5,806 |
| Public Health | | | |
| Percent of Prevalence of Tobacco Use among Middle & High School Youth in Target Areas of Texas | 19.0 | 18.3 | 22.3 |
| Number of Women and Children Served (Family Violence Services) | 80,942 | 79,319 | 79,060 |
| Transportation | | | |
| Dollar Volume of Construction Contracts Awarded (Millions) | \$4,541.00 | \$3,496.79 | \$3,233.83 |
| Number of Construction Projects Awarded | 1,000 | 868 | 1061 |

Source: Legislative Budget Board

Level of Standards Involvement Suggested by Respondents



■ Definitions (Common Basis for Data Reported)

■ Content (What Data are Reported)

■ Format (How Data are Reported)



Examples:

- <https://data.edmonton.ca/>
- <https://data.edmonton.ca/Community-Services/Public-Grants-2010-2012-Chart-View/3qef-bvyj>
- www.recovery.gov
- <http://www.pers.state.ms.us/pdf/persfacts&figures.pdf>



Recommendations:

1. Standard setters, preparers, & citizen users all have a stake in the success; and, all should have a stake in the process.
 - An organization, group, or taskforce of stakeholders should be appointed from the standard setting community, preparers from the federal, state & local government, representatives from various public interest groups, and citizen-users with the charge to collectively ensure guidelines are developed through an open dialogue and with a shared vision for data formatting and common reporting.
 - Group should encourage the discovery of, recommendation of, and reward for best practices in government financial, non-financial and performance information reporting.
 - All options should be “on the table” and decisions should be based upon the outcomes and recommendations of this and other similar recent research.



Recommendations:

2. Standardization of data definitions, report content & and report format is paramount!

- Group should set definitions & strategies and create uniform standards for data content, extraction, transformation and processing.
- Integrating federal, state and local information is critical.
- Standardization must be stable and be able to survive challenges from preparers, data providers, systems vendors, and users among others who are wedded to their existing systems and approaches.
- Using data tagging and conversion mechanisms will be key and will provide the initial steps toward realizing the vision of the accountability pyramid.
- Work should commence from both the top and the bottom of the pyramid simultaneously; starting at the top will allow for quick solutions and successes; developing procedures and processes for gathering, extracting and transforming the data at the bottom of the pyramid will take time and resources, yet, it will have lasting effects.



Recommendations:

3. Trustworthiness of government financial, non-financial & performance information is earned; and is absolutely necessary for **SUCCESS**.
 - Audit assurance is a must!
 - High quality raw data is needed to execute the government's business and support existing reporting needs.
 - Government financial managers should explore how raw data can be made even more meaningful through the use of internal controls, internal audit, and external audit efforts.
 - Managers should consider the extent to which internal and external assurance activities can shed light on quality, reliability, and usefulness of the data made available at the base and throughout the rise of the pyramid.



Recommendations:

4. Leverage existing technologies to “make it happen”.

- **Simplify government websites, streamline access**, and make links to financial, non-financial, and performance information more prominently located.
- **Smarter technologies** lead to innovations in knowledge gathering, decision making, and predicting and their use will enhance E-reporting improve the citizen-user’s experience. The number of **business intelligence, analytic, and performance management technologies** to achieve these goals is growing. Technologies, such as eXtensible Business Reporting Language (**XBRL**) represent a fundamental shift in how organizations access and deliver computing capabilities. If there were a common XBRL taxonomy for governments similar to the SEC mandated taxonomy for registered public companies and governments tagged information with XBRL tags as transactions occur, a whole new world of financial reporting capabilities would be open for federal, state, and local governments.
- Leverage the power of **mobile solutions and delivery options**. Mobile device access is quickly becoming the platform of choice for citizens. Many governments now have a portfolio of mobile apps for download as well as are converting websites to make them fully mobile. The penetration rate of **smart phones and tablets** in the general population makes this a necessity.
- We are living in a new reality where physical and virtual realities have blended. **Social networking** is bringing the world together and allowing many with similar interests to connect with ease without the barriers of distance, language, culture, hardware or software – and, together much can be accomplished.



Recommendations:

5. Go for the “low hanging fruit” so small successes can be celebrated early & often.

- Do not get too bogged down in the oversight and the linkage of data within and across old legacy systems.
- Consider the “restaurant approach” and develop a menu of reports that may be used across governments to report similar information.
- Consider using existing formats, such as AGA’s Citizen-Centric Reporting model, for reporting relevant information to citizens in plain language.
- Create an interactive financial reporting model starting with audited financial statements with simple drill-down links to data and reconciled reports beneath the audited financial statements that focus on the basic information citizens want.
- Focus on efficiency and results with five or six key standard metrics which are common across governments.
- Provide context to help make the information both understandable and meaningful.



Recommendations:

6. Leverage the convening power of AGA.

- Use AGA to continue to explore and research best practices, as well as, to construct bridges across the local, state, and federal governments.
- AGA members can challenge governments and supporting organizations, like NASACT and NASCIO, to join the citizen-focused reporting process, engage citizens, create visibility, illustrate best practices from early adopters, educate the public, and speak up for the benefits of transparent and understandable reporting.

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