User Needs Study: Congress

April 14, 2010
Executive Summary

The financial information needs of Congress reflect the sweeping impact of federal government activities. The federal government uses programs, agencies, quasi-official agencies, government-sponsored enterprises, federally funded research and development corporations, congressionally chartered nonprofit organizations, government corporations, and other types of organizations to conduct its responsibilities. Those responsibilities involve agriculture, defense, the economy, education, foreign policy, health, homeland security, trade, and many others. The Congress seeks financial information designed to address specific issues about these many responsibilities so that they can monitor the federal government’s activities and determine policies. To obtain this “specialized” financial information, Congress may conduct hearings, make requests for data from the agency or rely on legislative support organizations and other sources. Although Congress requires information to address specific matters and they have various ways of obtaining the information, the items of information can be organized into each of the four broad financial reporting objective categories. Accordingly, staff will pursue ways to better provide the information that Congress needs through financial reporting.

Our Congressional user needs study is part of the FASAB’s user needs study series that is intended to help improve the use of financial reports. The other studies involve citizens’ financial information needs (the document, User Needs Study: Citizens, discusses the results) and executives and managers financial information needs (discussed in User Needs Study: Interviews with Executives and Managers). Finally, the document, User Needs Study: Inventory of User Needs, provides an inventory of user needs considering the information sought by executives and managers, citizens, and the Congress. Staff plans to use the information needs results to determine the need for improvements to financial reports.
Federal Accounting Standards Advisory Board
User Needs Study: Congress
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Other Studies

In the mid-80s, the Government Accountability Office (GAO) and the Office of the Auditor General of Canada (OAGC) published a study on users’ needs regarding federal government financial information. With respect to legislators, the report entitled Federal Government Reporting Study (FGRS) noted that the U.S. government involves a strong emphasis on the balance of power between the executive, legislative and judicial branches. Also, the Congress sets policy and its members become experts in the area of their particular committee responsibility. They need specialized agency and program financial information more frequently than summary level financial information. However, they do need trends to gain a broad perspective of federal government operations and “simple and easy to understand information that can be grasped quickly.”

Summary level information would be helpful in communicating with constituents and provide a means for the federal government to demonstrate accountability for its actions. While the FGRS noted that an annual financial report about the federal government would serve as a useful reference document for locating more detailed information, the study also cautioned that summary level information would not necessarily be directly used in policy making deliberations. Congress needs more detailed data than that which could be presented in a summary report. Additionally, Congress expressed concern about whether the federal government could prepare a summary report because accounting systems were not fully integrated.

Subsequent to the FGRS, in the early 1990s, the Federal Accounting Standards Advisory Board (FASAB) began its mission and developed conceptual guidance that describes the information that would be used by financial report users, including Congress. The information they would use may be categorized as: budgetary integrity information, operating performance information, stewardship information, and systems and control information. These categories provide the framework for the objectives of federal financial reporting and are discussed in Statement of Federal Financial Accounting Concepts (SFFAC) 1, Objectives of Federal Financial Reporting (Objectives).

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2 Ibid. 46-47
3 Ibid. 47
4 Ibid.
Results

Our review confirmed that some of the results of the FGRS study remain applicable today. Congress continues to need detailed data for particular issues. According to some, Congress requires over 5,000 reports from agencies each year and the trend is toward more reports rather than less. Also, each of the Congressional staff respondents we reached, noted financial reports, commonly referred to as Performance and Accountability Reports or Agency Financial Reports, are used as reference documents to locate more detailed information. The detailed information is needed for developing policies and it was noted that agencies tend to ensure the integrity of the information that is independently audited.

While Congress needs detailed information for a wide-range of issues, the items of information may be categorized into the four broad categories of financial reporting – budgetary integrity, operating performance, stewardship, and systems and control - and some may involve multiple categories. Examples of these items are as follows:

- **Budgetary Integrity**
  - Estimated budgetary impact of proposed legislation
  - Cumulative budgetary effects of Congressional Budget Office (CBO) cost estimates of enacted legislation for the fiscal year in question, as of a certain date
  - Long-term budget and fiscal outlook

- **Operating Performance**
  - Status of the revenues from and the cost of constructing, operating and maintaining each lower basin unit of the Colorado River
  - Lodging expenses of Government agencies
  - List of developing countries for which expenses have been paid to defense personnel for attendance at a bilateral or regional conference or seminar
  - Quarterly reports regarding the cost, purpose and quantity of armored vehicles purchased for force protection purposes during the Iraq and Afghanistan war

Stewardship

• Long-term budget and fiscal outlook

Systems and Control

• Review of the accounting systems prescribed by the Comptroller General for executive agencies under the authority of section 3511(a) of title 31, United States Code

• The net program performance benefits achieved as a result of major capital investments made by executive agencies for information systems and how the benefits relate to the accomplishment of the goals of the executive agencies

Examples of items that may involve multiple categories include:

• The Emergency Economic Stabilization Act of 2008 (EESA) authorized the Secretary of the Treasury to implement the Troubled Asset Relief Program (TARP) and the legislation requires annual audited financial statements for TARP.

• Financial and other information to learn about the financial health of U.S. auto makers

• Comprehensive financial statements on the Federate States of Micronesia and the Marshall Islands.

Other examples of the information that Congress needs is provided in Appendix B: Examples of the Information Congress Seeks. Also, Appendix C: Financial Reporting Objectives provides a description of each financial reporting objective.

Additionally, while FGRS noted that the media may be considered a primary source for financial information, responses from Congressional staff indicated that multiple sources are often considered when conducting analysis for policy decisions. They obtain information from:

• Agencies directly;

• The three legislative support organizations, i.e. CBO, Congressional Research Service (CRS), and GAO;

• Inspectors General (IG); and

• Conduct hearings that involve expert witnesses on particular topics.
For instance, the House Committee on Budget planned to review performance data in the President’s budget submissions and GAO and IG audit reports. This information would help the committee assess the administration and service delivery efforts of agencies.\textsuperscript{6} Also, regarding the three legislative support organizations, they function under rigorous rules of objectivity and are staffed with experts that provide Congress with analyzes on key issues.\textsuperscript{7} While the CBO provides insights on congressional budgets and the budgetary implications of legislation, the CRS provides legislative research and policy analysis throughout the legislative process, and the GAO investigates the spending of taxpayer dollars. These roles reflect the broad range of Congress' need for and ability to obtain specialized information.


Next Steps

Staff plans to use the results of this study to compile a user needs inventory and determine the need for improvements in financial reports. In addition to the Congressional study results, the inventory will consist of user needs information from our other studies involving citizens and executives and managers. Based on comparing the examples of the information that the Congress needs to the existing reporting objectives, staff noted that the objectives are broad enough to encompass those needs. Accordingly, staff will consider ways to better achieve the reporting objectives, given users’ financial information needs.
Appendix A: Purpose, Scope, and Methodology

To determine the financial information needs of the Congress, FASAB staff attempted to conduct a survey of Congressional staff. During the period May 21 to May 28, 2009, staff issued questionnaires to the majority and minority staff directors for all house and senate committees except, the Senate Committee on Rules and Administration, Senate Select Committee on Ethics, House Committee on Rules, and House Committee on Standards of Official Conduct. Also, staff sent a questionnaire to the Joint Economic Committee. However, as a result of the survey efforts, FASAB staff only received three responses. Consequently, FASAB staff decided to review literature that would demonstrate the financial information that Congress needs.

Staff reviewed the Clerk of the House’ January 2007 Reports to Be Made to Congress. This document lists statute and the report required of agencies. The document lists over 1,000 reports and, given its volume, staff digitally searched the report for financial terms to identify examples of the financial information that Congress requires. The financial terms used for the searches included the following: financial statements; assets; liabilities; debt, balance sheet; capital; costs; revenue; expense; budget; obligation; expenditure; appropriation; performance; outlays; deficit; payment; funds; account; compensation; systems; and internal control. This approach identified well over 200 examples and staff included the examples in the Inventory of User Needs. In addition, to determine some of the most recent examples of financial information, staff reviewed the Oversight Plans for all House Committees, GAO, CRS, and CBO reports. Moreover, we interviewed a Congressional staff member and reviewed other literature to confirm the specialized information needs of Congressional members and the use of financial reports as references for detailed information.

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9 Oversight Plans for all House Committees, Committee on Oversight and Government Reform, House Report 111-69, March 31, 2009.
Appendix B: Examples of Information Congress Seeks

Provided below are some examples of the items that Congress seeks:

- Status of the revenues from and the cost of constructing, operating and maintaining each lower basin unit of the Colorado River
- Lodging expenses of Government agencies
- Report for an additional amount for emergency expenses resulting from windstorm damage
- List of developing countries for which expenses have been paid to defense personnel for attendance at a bilateral or regional conference or seminar
- Developing countries for which expenses have been paid by the U.S. for participation in combined military exercises
- Report on the results of a system developed for monitoring cost savings resulting from workforce reductions
- Acquisition of individual reserve forces facilities costing more than $200,000
- Certification that the current five-year defense program fully funds the support costs associated with the multiyear program
- Notification of funds obligated for humanitarian and civic assistance costs
- Budget amendments or revisions, and estimated outlays and receipts for ensuing fiscal year
- The actual borrowings and spending progress compared with projections by quarter and by project for capital outlay borrowings
- The net program performance benefits achieved as a result of major capital investments made by executive agencies for information systems and how the benefits relate to the accomplishment of the goals of the executive agencies
- Economic conditions prevailing in Egypt, Israel, Turkey and Portugal which may affect their respective ability to meet international debt obligations and to stabilize their economies
- Federal financial management status report and government-wide 5-year financial management plan
Appendix B: Examples of Information Congress Seeks

• Certification that a major defense acquisition program, which has increased by more than 25% is essential to the national security, has no alternative that would cost less, its new estimates are reasonable and its management structure is adequate

• Program background information, evaluations, policy and cost implications of program modifications

• Estimated budgetary impact of proposed legislation

• Cumulative budgetary effects of CBO's cost estimates of enacted legislation for the fiscal year in question, as of a certain date

• Long-term budget and fiscal outlook

• Maintenance Backlogs

• Improper Payments

• Agency economy and efficiency and performance

• Oil and gas royalty payments

• Review of the accounting systems prescribed by the Comptroller General for executive agencies under the authority of section 3511(a) of title 31, United States Code

• Annual audited financial statements for TARP

• Financial and other information to learn about the financial health of U.S. auto makers

• Comprehensive financial statements on the Federate States of Micronesia and the Marshall Islands
Appendix C: Reporting Objectives

Objective 1--Budgetary Integrity
Federal financial reporting should assist in fulfilling the government's duty to be publicly accountable for monies raised through taxes and other means and for their expenditure in accordance with the appropriations laws that establish the government's budget for a particular fiscal year and related laws and regulations. Federal financial reporting should provide information that helps the reader to determine:

1A. How budgetary resources have been obtained and used and whether their acquisition and use were in accordance with the legal authorization.

1B. The status of budgetary resources.

1C. How information on the use of budgetary resources relates to information on the costs of program operations and whether information on the status of budgetary resources is consistent with other accounting information on assets and liabilities.

Objective 2--Operating Performance
Federal financial reporting should assist report users in evaluating the service efforts, costs, and accomplishments of the reporting entity; the manner in which these efforts and accomplishments have been financed; and the management of the entity's assets and liabilities. Federal financial reporting should provide information that helps the reader to determine:

2A. The costs of providing specific programs and activities and the composition of, and changes in, these costs.

2B. The efforts and accomplishments associated with federal programs and the changes over time and in relation to costs.

2C. The efficiency and effectiveness of the government's management of its assets and liabilities.
Appendix C: Reporting Objectives

**Objective 3--Stewardship**

Federal financial reporting should assist report users in assessing the impact on the country of the government's operations and investments for the period and how, as a result, the government's and the nation's financial condition has changed and may change in the future. *Federal financial reporting should provide information that helps the reader to determine:*

3A. Whether the government's financial position improved or deteriorated over the period.

3B. Whether future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due.

3C. Whether government operations have contributed to the nation's current and future well-being.

**Objective 4--Systems and Control**

Federal financial reporting should assist report users in understanding whether financial management systems and internal accounting and administrative controls are adequate to ensure that:

4A. Transactions are executed in accordance with budgetary and financial laws and other requirements, consistent with the purposes authorized, and are recorded in accordance with federal accounting standards;

4B. Assets are properly safeguarded to deter fraud, waste, and abuse; and

4C. Performance measurement information is adequately supported.
### Appendix D: Abbreviations

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<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>CBO</td>
<td>Congressional Budget Office</td>
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<td>CRS</td>
<td>Congressional Research Service</td>
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<td>FASAB</td>
<td>Federal Accounting Standards Advisory Board</td>
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<tr>
<td>GAO</td>
<td>Government Accountability Office</td>
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<tr>
<td>OAGC</td>
<td>Office of the Auditor General of Canada</td>
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<tr>
<td>TARP</td>
<td>Troubled Asset Relief Program</td>
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