Federal Accounting Standards Advisory Board

Responses Requested by March 31, 2010

March 1, 2010

Memorandum

To: Chief Financial Officers and Inspectors General

From: Wendy M. Payne, Executive Director

Subject: Request for Managerial Cost Accounting and Reporting Information

The Federal Accounting Standards Advisory Board (FASAB or the board) recently initiated a project to evaluate federal managerial cost accounting and reporting requirements. This project is part of the board's overall initiative to revisit the federal reporting model to determine where improvements might be needed.

The board has requested that FASAB staff obtain an understanding of current federal practices surrounding managerial cost accounting and reporting. As part of that effort, staff would like to present the board with detailed information on the successes and challenges that the federal community has encountered in attaining the goals of SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, as amended and supplemented.

SFFAS 4 defines a managerial cost accounting system as the organization and procedures used to accumulate and report consistent and reliable cost information and performance data from various agency feeder systems. The accumulated and reported data enable management and other interested parties to measure and make decisions about the agency's/segment's ability to improve operations, safeguard assets, control its resources, and determine if mission objectives are being met.

We would appreciate your candid responses to the attached questionnaire to assist us in providing the board with the best information possible with which to make their decisions about the future direction of federal managerial cost accounting and reporting requirements. We are requesting your responses be emailed to ranaganj@fasab.gov or faxed to 202-512-7366 by **Wednesday, March 31, 2010**.

Depending on the extent of your agency's use of cost accounting and the amount of detail that is readily available, we anticipate that the questionnaire may take approximately 45 - 60 minutes to complete. Please contact Julia Ranagan at 202-512-7377 to discuss any questions you may have or to request an interview in lieu of completing the questionnaire. Thank you for your time and assistance.

Attachment

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ABOUT FASAB

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to assess (1) the government's accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences of the allocation and various uses of federal resources. The FASAB issues federal accounting standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

For more information on FASAB, please visit our website: **www.fasab.gov**.

FASAB Managerial Cost Accounting and Reporting Questionnaire

Disclaimer: In the course of researching, developing or updating federal accounting standards, FASAB staff periodically utilize task forces, surveys, and other means of communication to solicit feedback from the federal community. The information contained in this survey is intended to assist staff in preparing materials for the board's deliberations; it is not intended to reflect authoritative or formal views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations. Portions of this questionnaire were derived from Appendix C of the Association of Government Accountants Corporate Partner Advisory Group Research Series Report No. 22: *Managerial Cost Accounting in the Federal Government: Providing Useful Information for Decision Making* and have been used with permission from Ms. Anna D. Gowans Miller, AGA's Director of Research.

General Background

1. Have you implemented some form of managerial cost accounting (MCA) in any entity within your organization?
   (Please click on one box)

   ☐ Yes (go to question 2)
   ☐ No (go to question 3)

2. If you answered yes to question 1, please list and describe the entity or entities for which you have implemented some form of MCA, including the year first implemented.
   (Please click on the grey shading in the box below to begin typing your response)

3. Have you received an audit finding related to MCA (i.e., SFFAS 4) in the audit report, management letter, Notice of Finding and Recommendation, or elsewhere?
   (Please click on one box)

   ☐ Yes (go to question 4)
   ☐ No (go to question 5)

4. If you answered yes to question 3, please describe the audit finding(s).
   (Please click on the grey shading in the box below to begin typing your response)

5. Do you plan on implementing MCA in any entities or additional entities within your organization?
   (Please click on one box)

   ☐ We have implemented MCA in at least one entity and plan to do more (please explain why in the box below and then go to question 6)
   ☐ We have implemented MCA in a least one entity but do not plan to do more (please explain why not in the box below and then go to question 6)
   ☐ We have not implemented MCA yet but plan to do so in the future (please explain why in the box below and then go to question 63)
   ☐ We have not implemented MCA in any entities and do not plan to do so in the future (please explain why not in the box below and then go to question 64)

Why or why not?
(Please click on the grey shading in the box below to begin typing your response)

Use of Managerial Cost Information

The uses of MCA are diverse and require a change in management attitudes and practices. MCA provides new measures of resource usage, where success can be measured by the ability to execute a project using the most cost-effective means. Quality cost information can inspire new users to question high costs and consider alternative ways to accomplish a goal. This is especially true when managers are accountable for their use of resources. User needs for managerial cost accounting change over time. For example, there may be a new need for improved MCA systems if new programs under the American Recovery and Reinvestment Act are to be evaluated as to their success.

6. What do you use cost information for?
(Please click on the grey shading in the box below to begin typing your response)

7. What costs (full costs as defined by SFFAS 4 or others) are used for performance reporting?
(Please click on the grey shading in the box below to begin typing your response)

8. Do you use cost information to evaluate managers?
(Please click on one box)

☐ Yes (go to question 9)
☐ No (go to question 11)

9. Do you reward managers for cost-effective approaches to problem solving?
(Please click on one box)

☐ Yes (go to question 10)
☐ No (go to question 11)

10. If you answered yes to question 9, please describe:
(Please click on the grey shading in the box below to begin typing your response)

11. Do you periodically review your system to make sure it is responsive to your organizations' current needs?
(Please click on one box)

☐ Yes (go to question 12)
☐ No (go to question 13)

12. When was the last time you did such a review and what was the result?
    (Please click on the grey shading in the box below to begin typing your response)

13. Do you believe the managerial cost accounting standards, when combined with the necessary judgments inherent in implementing managerial cost accounting, result in information that meets the accounting and reporting needs of internal users (i.e., program managers) to enable them to make decisions?
    (Please click on one box)

    ☐ Yes (go to question 14)
    ☐ No (go to question 15)

14. If you answered yes to question 13, please describe how the internal users (i.e., program managers) in your organization use managerial cost accounting and reporting information to make decisions:
    (Please click on the grey shading in the box below to begin typing your response)

15. If you answered no to question 13, please offer suggestions about what might be done to make managerial cost accounting and reporting information more useful to program managers:
    (Please click on the grey shading in the box below to begin typing your response)

16. Please describe:

    a. Your three greatest success stories related to the use of MCA for effective decision-making.
       (Please click on the grey shading in the box below to begin typing your response)

    b. Your three greatest challenges in making MCA information useful to managers.
       (Please click on the grey shading in the box below to begin typing your response)

    c. The three most important lessons learned that you would share with an agency that is just starting out with MCA.
       (Please click on the grey shading in the box below to begin typing your response)

17. What other type of cost information would you like to have that you currently do not generate?
    (Please click on the grey shading in the box below to begin typing your response)

18. What benefits and uses would you expect to derive from comparing administrative and/or operational costs within and across agencies (e.g., cost to issue a grant, cost to perform a particular service, etc)?
    (Please click on the grey shading in the box below to begin typing your response)

19. What barriers or obstacles (e.g., differing internal policies or social objectives that may make comparisons challenging) would you foresee from comparing administrative and/or operational costs within and across agencies?
    (Please click on the grey shading in the box below to begin typing your response)

Cost Accounting System

20. Have you developed an automated MCA system that produces cost information for managers?
    (Please click on one box)

    ☐ Yes (go to question 21)
    ☐ No (go to question 22)

21. If you answered yes to question 20, please describe the system you use; for example, who is responsible for the data being put into the system, who is permitted to change the system, and who is responsible for the accuracy and/or reliability of the data in the system?
    (Please click on the grey shading in the box below to begin typing your response)

22. If you answered no to question 20, please describe the system or process you use.
    (Please click on the grey shading in the box below to begin typing your response)

23. Have you considered implementing eXtensible Business Reporting Language (XBRL) to capture and report managerial cost information?
    (Please click on one box)

    ☐ Yes (go to question 24)
    ☐ No (go to question 25)

24. If you answered yes to question 23, please describe the outcome of your consideration of XBRL.
(Please click on the grey shading in the box below to begin typing your response)

Cost Allocation

25. Have you implemented full costing as defined by SFFAS 4?[1]
(Please click on one box)

☐ Yes (go to question 26)
☐ No (go to question 27)

26. If you answered yes to question 25, is a certain portion of the time of the Office of the Secretary and other leadership positions allocated to mission-related programs?
(Please click on one box)

☐ Yes
☐ No

27. In applying the guidance in SFFAS 30, *Inter-Entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, and Technical Release 8, *Clarification of Standards Relating to Inter Entity Costs*, have you identified additional inter-entity costs to be recognized?
(Please click on one box)

☐ Yes (go to question 28)
☐ No (go to question 29)

28. If you answered yes to question 27, please list the additional inter-entity costs you identified, including a brief description.
(Please click on the grey shading in the box below to begin typing your response)

29. How do you calculate administrative costs for overhead (e.g., square footage, number of employees, number of documents processed, etc)?
(Please click on the grey shading in the box below to begin typing your response)

[1] SFFAS 4, par. 89, states "the full cost of a responsibility segment's output is the total amount of resources used to produce the output. This includes direct and indirect costs that contribute to the output, regardless of funding sources. It also includes costs of supporting services provided by other responsibility segments or entities. The standard does not require full cost reporting in federal entities' internal reports or special purpose cost studies. Entity management can decide on a case-by-case basis whether full cost is appropriate and should be used for internal reporting and special purpose cost studies."

30. What kind of allocation method do you use? (Examples include direct costing, standard costing, or activity-based costing)?
(Please click on the grey shading in the box below to begin typing your response)

31. In organizations where service delivery is important, a large part of the costs of programs may be labor and associated benefits costs. How do you collect the data need to assign costs associated with personnel time?
(Please click all that apply)

- ☐ Labor data reporting (LDR) completed by employee and turned in weekly (labor data reporting can be, for example, on paper timesheets and entered later or input directly into an automated system).
- ☐ LDR completed by employee and turned in biweekly
- ☐ LDR completed by employee and turned in monthly
- ☐ Periodic estimates of time spent on multiple program activities completed by employee
- ☐ Periodic evaluations completed by someone other than the employee
- ☐ Other (explain other in the box below)
(Please click on the grey shading in the box below to begin typing your response)

Project Implementation Practices

Certain practices have been associated with success in developing and implementing managerial cost accounting. These include the use of teams or committees, pilot testing, good communication, use of an interim period, and auditor involvement.

Use of Teams or Committees

32. Did you use a team or committee in developing and implementing your MCA system?
(Please click on one box)

- ☐ Yes
- ☐ No
- ☐ Did not use teams or committees for anything MCA-related (go to question 41)

33. Did you use a team or committee to make MCA-related policy decisions?
(Please click on one box)

- ☐ Yes
- ☐ No

34. Did you use a team or committee for developing the details of the MCA process?
(Please click on one box)

- ☐ Yes
- ☐ No

35. Did you use a team or committee to obtain and disseminate MCA information?
    (Please click on one box)

    ☐ Yes
    ☐ No

36. Did the teams or committees include different levels of staff?
    (Please click on one box)

    ☐ Yes
    ☐ No

37. Was one person common to all teams or committees?
    (Please click on one box)

    ☐ Yes
    ☐ No

38. Did the team or committee include user level staff like project managers?
    (Please click on one box)

    ☐ Yes
    ☐ No

39. Did the team or committee have clearly defined objectives or a charter?
    (Please click on one box)

    ☐ Yes
    ☐ No

40. Please describe any lessons learned or challenges met in the use of teams/committees.
    (Please click on the grey shading in the box below to begin typing your response)

Use of Pilot Tests

41. Did you start with a pilot to test the concept?
    (Please click on one box)

    ☐ Yes (go to question 42)
    ☐ No (go to question 44)

42. If you answered yes to question 41, please briefly describe the pilot testing process you used.
    (Please click on the grey shading in the box below to begin typing your response)

43. If you answered yes to question 41, did the pilot test help with implementation or cause problems? Please describe.
    (Please click on the grey shading in the box below to begin typing your response)

Communication

44. Did you have clearly defined agency guidance?
(Please click on one box)

☐ Yes (go to question 45)
☐ No (go to question 46)

45. Did you have frequent outreach to support the promulgated guidance?
(Please click on one box)

☐ Yes
☐ No

46. Did you ask for feedback to help identify potential needs of managers?
(Please click on one box)

☐ Yes
☐ No

47. Did you have training sessions to educate as many personnel as possible?
(Please click on one box)

☐ Yes (go to question 48)
☐ No (go to question 49)

48. When did you do the training?
(Please click on the grey shading in the box below to begin typing your response)

Interim Period

If the implementation takes a lot of time, some work can be done while the system is being developed. The process to change the mindset of management takes time and participation during the interim period helps make that transition.

49. Did you use an interim period for experimentation?
(Please click on one box)

☐ Yes (go to question 50)
☐ No (go to question 51)

50. Did the use of an interim period help change the mindset of management?
(Please click on one box)

☐ Yes
☐ No

Auditor Involvement

Auditors can make valuable contributions to the development of MCA systems. They can review methodologies to be used for cost accounting and give valuable advice. They can maintain their independence by ensuring that auditors participating in the teams do not subsequently audit those processes developed.

51. Was your Office of Inspector General or internal auditors involved in the development and implementation process?
    (Please click on one box)

    ☐ Yes (go to question 52)
    ☐ No (go to question 53)

52. If you answered yes to question 51, please describe the benefits or drawbacks of the involvement.
    (Please click on the grey shading in the box below to begin typing your response)

Agency Culture, Management Attitudes, Communication, and Core Competencies

An agency's culture plays an important role in ensuring success of any cost accounting project. A culture of practicing good financial management is influenced by senior management attitudes and staffing capabilities.

53. The tone at the top is very important in ensuring that new approaches become institutionalized and accepted. How would you describe the culture, management attitudes and core competencies relating to cost accounting in your organization?
    (Please click on the grey shading in the box below to begin typing your response)

54. Do you enjoy support from senior management in your attempts to implement cost accounting in your organization?
    (Please click on one box)

    ☐ Yes
    ☐ No

55. Does your organization have a "champion" for MCA (i.e., a leader who supports the concept and can keep employee enthusiasm high)?
    (Please click on one box)

    ☐ Yes (go to question 56)
    ☐ No (go to question 57)

56. If you answered yes to question 55, what is his/her name, title, and function?
    (Please click on the grey shading in the box below to begin typing your response)

57. Has your organization developed an organization-wide statement or policy clearly defining the objectives and uses of cost accounting?
(Please click on one box)

☐ Yes (go to question 58)
☐ No (go to question 62)

58. If you answered yes to question 57, does the statement or policy include the following objectives and uses?
(Please click all that apply)

☐ Budgeting and cost control
☐ Performance measurement
☐ Determining reimbursements and setting fees and prices
☐ Program evaluations
☐ Making economic choice decisions
☐ Other (explain other in the box below)
(Please click on the grey shading in the box below to begin typing your response)

59. If any of the objectives and uses listed in question 58 is not applicable, please explain why.
(Please click on the grey shading in the box below to begin typing your response)

60. Was the strategy for achieving the objectives shared with all levels of staff throughout the organization during the MCA system development or upgrade?
(Please click on one box)

☐ Yes (go to question 61)
☐ No (go to question 62)

61. If you answered yes to question 60, please describe the communications process (during initial implementation and/or subsequent upgrade).
(Please click on the grey shading in the box below to begin typing your response)

62. Good cost accountants require a slightly different skill set than financial accountants. Good quality cost accountants need excellent analytical skills, outstanding communication skills, and a good understanding of the organization's activities and the processes used to accomplish those activities.
(Please click on one box)

☐ We have enough excellent cost accountants to accomplish what we need to achieve.
☐ We do not have enough skilled cost accountants.
☐ We have no cost accountants.
☐ Other (explain other in the box below)

(Please click on the grey shading in the box below to begin typing your response)

Other

63. If the board decides to propose additional cost accounting standards, our agency would be willing to field test the proposed standards in conjunction with the exposure draft period and provide oral or written feedback to the board.[2]

- ☐ Yes
- ☐ No
- ☐ Maybe

64. Do you have any other comments?
(Please click on the grey shading in the box below to begin typing your response)

Requested Information Regarding Person Completing Survey:

(Please click on each grey box below to input requested information)

First and Last Name:

Agency Name:

Office Name:

Position Title:

Phone Number:

Email Address:

[2] Field tests are part of FASAB's due process and help FASAB to establish effective standards. Participating federal entities volunteer to go through the exercise of "implementing" the proposed standards as if they were in place and then provide feedback to FASAB regarding the process. Field tests can proactively identify potential problems related to the implementation of proposed standards and allow FASAB to gather valuable information about implementation costs.