



Assessing Schedules of Spending Issued for Fiscal Year 2013 by Federal Departments and Agencies

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Assessing Schedules of Spending Issued for Fiscal Year 2013 by Federal Departments and Agencies

Background

On October 21, 2013, the Office of Management and Budget (OMB), in consultation with the Chief Financial Officers (CFO) Council, issued a revision to OMB Circular No. A-136, *Financial Reporting Requirements* (A-136). This revision included an updated framework for preparing a Schedule of Spending (SOS) as Other Information (OI) in an agency's Performance and Accountability Report (PAR) or Agency Financial Report (AFR).

The 2013 revision to A-136 required that the SOS be:

- Prepared annually
- Compiled utilizing the same financial data underlying the Combined Statement of Budgetary Resources (SBR), which presents total budgetary resources, gross outlays, and fiscal year-to-date total obligations for the reporting entity on a combined basis.
- Comprised of Section I and Section II as a minimum requirement. Section I of the SOS answers the question "**What Money is Available to Spend?**" and presents the resources that were available to spend. Section II of the SOS answers the question "**How was the Money Spent/Issued?**" and presents the services or items that were purchased in addition to its payment type. Section II represents a change in reporting from fiscal year (FY) 2012 to include the word "Issued" in the section title as well as to align payments with OMB Circular A-11 Budget Object Class (BOC) codes along with other clarifying definitions for payment types. Section IV that addressed "**How obligations were issued?**" as optional reporting in FY 2012 was consolidated into Section II in FY 2013.
- Comprised of Section III, which answers the question "**Who did the Money go to?**" and presents information on the types of entities receiving Federal dollars. Section III was optional for FY2013 reporting, but is currently expected to become a mandatory requirement in FY 2015 according to the most recent draft of the OMB Circular A-136 guidance.
- Presented on a combined basis and not a consolidated basis, to remain consistent with the aggregate of the account-level information presented on the Combined SBR and the Federal entities' SF-133, Report on Budget Execution and Budgetary Resources. As such, consolidation of this schedule is inappropriate, and line-by-line consolidation of this schedule is not permitted.
- Presented in a manner similar to the Combined SBR by Federal entities subject to the Federal Credit Reform Act (FCRA), <http://www.fms.treas.gov/ussgl/creditreform/fcra.html#titleV>, as a minimum reporting requirement, thus permitting the separate reporting of budgetary accounts and non-budgetary credit reform financing accounts, when the credit reform financing accounts are material.
- Inclusive of high-level explanations of the similarities and differences between the SOS, the SBR, and USAspending.gov to assist readers in understanding the relationship between these separate reporting elements and activities.

Under the 2013 revision to A-136, Federal entities were given the option of preparing comparative SOSs for FYs ending in 2013 and 2012, with the notation that such comparative schedules will be required for FY 2014 and thereafter. The SOS is required to be included in CFO Act agencies' OI Section of their

Performance and Accountability Report (PAR) or Agency Financial Report (AFR). In addition, certain line items of each section of the SOS were required to reconcile to the SBR. For example, total spending in the SOS was required to reconcile to gross outlays reported in the SBR.

For additional details concerning requirements for preparing the SOS, please refer to A-136 (pages 147 – 151), which can be accessed at:

http://www.whitehouse.gov/sites/default/files/omb/assets/OMB/circulars/a136/a136_revised_2013.pdf

The SOS from an Agency Perspective

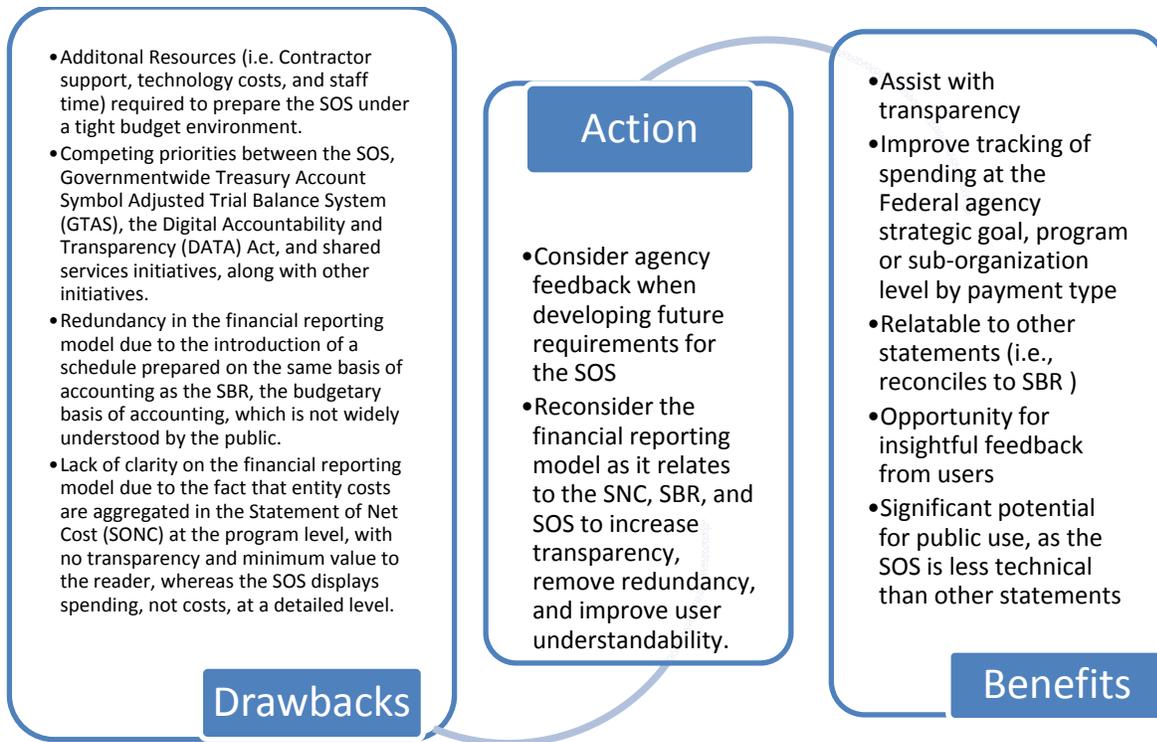
CliftonLarsonAllen (CLA) conducted on-site interviews with selected agencies (see *APPENDIX A* for the agencies interviewed) during the spring of 2013, and posed certain questions regarding agency experience in preparing the SOS for FY 2012. These on-site interviews generated insightful comments and observations for future consideration by OMB and the Federal Accounting Standards Advisory Board (FASAB). Topics raised during these interviews included, but were not limited to:

- Cost benefit considerations
- Transparency related to the data reported on the SOS versus within USASpending.gov, and
- Technical considerations for future OMB guidance on the SOS.

The following sections outline the significant issues regarding the SOS, from the agencies' perspective, identified during these interviews.

Cost benefit considerations in preparing the SOS

Completion of a cost benefit analysis concerning preparation of the SOS is important. Such an analysis would help identify and highlight the benefits, while considering and quantifying the related costs. The following graphic illustrates the comparative benefits, incremental costs, and current drawbacks that should be considered as guidance for preparing the SOS, as agencies' experience with preparing the SOS continue to evolve.



The Federal agencies interviewed associated the incremental costs of preparing the SOS with the following:

- Additional staffing resources
- Staff alignment and allocation challenges
- Staff training
- Upfront involvement of leadership in decision-making regarding the presentation of the SOS
- Systems updates
- Formatting of source data
- Increased exposure to scrutiny on politically sensitive matters, and
- Needed efforts to involve program and acquisition personnel to reconcile differences identified between the financial accounting and the acquisition systems.

Agencies expressed difficulties in meeting additional requirements under the general pressure of sequestration and increased oversight.

However, agencies acknowledged that presenting the SOS, in its easy to understand format, would be a benefit to many stakeholders, including, but not limited to, the general public. Finally, the agencies interviewed suggested that receiving feedback from the user community during the course of completing a cost benefit analysis might facilitate discussions concerning whether the SOS should become an audited statement or remain as OI. The Federal agencies interviewed perceive that OMB may ultimately require the SOS to become an audited statement.

Exploring the relationship between the SOS, the agency's financial system, and USASpending.gov

To comply with the Federal Funding Accountability and Transparency Act (FFATA) of 2006, OMB established a single searchable website called USASpending.gov, that is accessible by the public at no cost to search, aggregate, and download the following:

(a) Federal funding by any of the Federal award elements identified in subsection (b) (1) of the Act, to include:

1. The name of the entity receiving the award
2. Information on the award, including transaction type
3. The location of the entity receiving the award
4. A unique identifier of the entity receiving the award, and
5. Any other relevant information specified by OMB.

(b) The total amount of Federal funding awarded to an entity by Federal award.

Currently, USASpending.gov is populated by Federal contracting and procurement personnel. These personnel utilize data from their respective agencies' acquisition systems (i.e., grants and contracts¹), which are usually separate, distinct, information technology systems, and subject to different general and application controls than their financial accounting and reporting systems. In order to eventually require a disclosed reconciliation between the spending data reported on the SOS and USASpending.gov and data within the agency's financial accounting and reporting systems, interviewees suggested that consideration be given to the similarities and differences between the SOS and USASpending.gov, with a focus on the comparative audience and respective users, purposes, levels of transparency, avoidance of duplication of financial information, and the underlying sources of information.

It was observed that the SOSs are prepared by the Office of the CFO within each Federal agency and present an overview of how and where Federal agencies are spending (i.e., obligating) their funds for a certain reporting period. There is varied practice on the systems that Federal agencies use in extracting this information. Where possible, agencies prefer to use their financial accounting and reporting systems, which they have identified to be the agency's system of record, and, therefore, possessing a greater degree of data accuracy and completeness. Furthermore, the SOS presents all categories of spending, not only grants and contracts as presented in USASpending.gov. However, in many instances

¹ According to 31 U.S. Code (USC) 6304, the Federal Government uses **grants** "to carry out a public purpose of support or stimulation authorized by a law of the United States instead of acquiring (by purchase, lease, or barter) property or services for the direct benefit or use of the United States Government." Grants are flexible instruments that the government uses to provide funding in hope of achieving a particular aim. The government disburses non-repayable funds to a recipient to fund a specific project. Usually grants require some level of compliance and reporting. In contrast, the Federal Government uses **contracts** where "the principal purpose of the instrument is to acquire (by purchase, lease, or barter) property or services for the direct benefit or use of the United States Government" (31 USC 6303). When the federal government issues a contract it is, in effect, procuring services and a *quid pro quo* relationship is established. In the most basic of terms, a contract is a legally binding document where one party promises to deliver a product or service in return for consideration from the other party. In the case of a federal contract, consideration almost always takes the form of monetary compensation. If the product or service is not delivered at the end of the contract, there are serious legal and monetary ramifications.

agencies end up turning to their acquisition systems to obtain information for inclusion in the SOS, as financial reporting required within the SOS is not always captured at the required level of detail within their financial accounting and reporting systems (e.g., types of recipients).

Concerns were raised by interviewees regarding the relationship between the SOS, the agency's financial accounting and reporting systems, and USASpending.gov, as well as the practical feasibility of reconciling between these systems. Some Federal agencies do not reconcile the procurement data recorded in their acquisition systems to the general ledger. These Federal agencies see the differences in the data set structure between the two systems, as well as the effort required, as an impediment to the reconciliation process. The USASpending.gov website, while populated with extensive grants and contracting information, does not provide information regarding other aspects that can be significant to Federal spending, such as the following:

- Salaries and wages
- Federal retirement benefits for military and civilian employees
- Payments to Social Security and Medicare beneficiaries
- Leases, and
- Interagency spending on shared services, etc.

Currently, acquisition personnel do not provide any assurance on the accuracy and reliability of spending data and all agencies interviewed stated that efforts to clean up vendor information in USASpending.gov would be daunting and manually intensive for many agencies.

In recognizing the importance of assuring data reliability in USASpending.gov, OMB issued a memorandum for agency chief financial officers on June 12, 2013, entitled "Improved Data Quality for USASpending.gov." The memo required agencies to have a reporting process in place starting October 1, 2013, for validating prime award information in USASpending.gov with data in the agency's financial systems.

To summarize the views expressed, the SOS is perceived to be a high level statement that provides the overall picture of how Federal agencies are spending their funds, using financial data obtained primarily from the agency's financial accounting and reporting systems. USASpending.gov, by comparison, is perceived as providing granular-level detail on government spending drawing on the agency's acquisition systems. The two can eventually evolve to highly complement each other, once further progress is made in determining how the data relationship between the SOS, the agency's financial systems, and the USASpending.gov website can be better defined, qualified, and disclosed.

Subsequent to our interviews, the *Digital Accountability and Transparency Act (DATA)* was enacted in April 2014 to:

- Expand the Federal Funding Accountability and Transparency Act of 2006 by disclosing direct Federal agency expenditures and linking Federal contract, loan, and grant spending information to Federal programs to enable taxpayers and policy makers to track Federal spending more effectively.

- Establish government-wide data standards for financial data and provide consistent, reliable, and searchable government-wide spending data that is displayed accurately for taxpayers and policy makers on USASpending.gov.
- Simplify reporting for entities receiving Federal funds by streamlining reporting requirements and reducing compliance costs while improving transparency.
- Improve the quality of data submitted to USASpending.gov by holding Federal agencies accountable for the completeness and accuracy of the data submitted; and
- Apply approaches developed by the Recovery Accountability and Transparency Board to spending across the Federal government.

The DATA Act requires the Director of OMB to review the information required to be reported by recipients of Federal awards to identify, among other things, unnecessary duplication in financial reporting. Unnecessary duplication in financial reporting can be identified in the following two ways: 1) review of the Federal award information conducted by the Director of OMB with the consultation of Federal agencies and recipients of the Federal award, and 2) establishment of a pilot program with the participation of appropriate Federal agencies to facilitate the development of recommendations. The DATA Act further requires the Director of OMB to establish government-wide financial data standards for Federal agencies and entities receiving Federal funding. In addition, the amendments to the FFATA outlined in the DATA Act require that the Inspector General of each Federal agency and GAO report on the completeness, timeliness, quality, and accuracy of spending data submitted by each agency; thus, improving the accountability of the Federal agencies and improving the quality of data submitted to USASpending.gov.

Strengthening the Impact of Section III

As agencies considered the level of detail at which they present their spending information in the SOS, interviewed agency personnel agreed that the SOS adequately presented “how the money is being spent.” However, they noted that the SOS does not necessarily improve financial accounting and reporting transparency with regard to “who did the money go to,” principally because the ultimate beneficiaries can, at times, be several layers away from the entities that initially received the monies from the Federal government. In its guidance for the Section III of the SOS, OMB is allowing agencies to present the minimal display of "Federal" and "Non-Federal" obligations in FY 2014 when the reporting of Section III becomes mandatory. Section III was optional reporting in FY 2013.

As noted in **APPENDIX C – Schedule of Spending Illustration from OMB Circular A-136**, OMB is encouraging agencies to display more detail in Section III by reporting recipients of Federal funds within categories such as For Profit, Government, Higher Education, Individuals, Not-For profits, and Other. The reporting in Section III will be more informative and useful to readers and stakeholders if agencies report the recipient of Federal agency funds by these more specific sub-categories, rather than presenting by the categories of Federal and Non-Federal. To accomplish this more detailed reporting, agencies may need to rely on ad-hoc reports and manual processes. Reconciliations between the data sets would help ensure reporting accuracy and completeness.

Considerations for future OMB guidance on SOS

In addition to the above subjects of (a) cost/benefit, (b) relating data from differing sources, and (c) increasing the value of reported information, the Federal agencies interviewed shared additional concerns, commentary, and recommendations for OMB to consider in developing future A-136 guidance regarding the SOS, which included the following:

1. Including a narrative accompanying the SOS, similar to a summary of significant accounting policies note disclosure accompanying the agencies' financial statements, which would be helpful in identifying financial reporting policies relevant to the fair presentation of the SOS.
2. Increasing consultation with Federal agencies on the time required for the agencies to comply with changes in reporting requirements, which would allow for greater recognition and consideration of the complexity of agency operations and the systems utilized for financial reporting, and ultimately support desirable modifications to financial reporting standards.
3. Providing financial reporting guidance within OMB Circular A-136, regarding the preparation and presentation of the SOS to Federal departments and agencies on a timely basis, is very important. The Federal agencies interviewed noted that it would be helpful for this guidance to be issued by May, thus allowing agencies the necessary time to consider and implement adjustments in financial reporting.
4. Establishing a uniform data structure for capturing and reporting spending information would greatly assist agencies in completing the "who did the money go to" section of the SOS in a consistent manner across the Federal government. As noted above, the usefulness of Section III reporting is greatly reduced when agencies are allowed to display their spending data at a high level, such as "Federal" and "Non-Federal." Since the agencies are now required to validate the prime award information in USASpending.gov with data in the agency's financial accounting and reporting systems, the information reported in this section will be more useful when agencies report their spending by type of entities receiving payments. In addition, OMB could go even further to prepare a list of benefit codes denoting various public services associated with Federal spending to be incorporated into the agency's information systems. The use of codes would help identify government-wide costs and programs for achieving a special purpose or function (i.e., reducing homelessness, job training, improving disaster responses, building highway or transportation infrastructures, etc.), as well as programs overlapping amongst the various agencies. Therefore, such information could also be beneficial for further streamlining government operations.
5. Modifying the presentation of the line items within the Combined SBR to make the Combined SBR easier to understand by policy makers and taxpayers, while assuring that the reporting needs of OMB are met.
6. Exploring ways to streamline the financial reporting model and enhance the usefulness of the Statement of Net Cost (SONC), which currently provides information at too high a level to be meaningful. For example, a) by extending presentation requirements for the SOS to the Statement of Net Cost (SONC), eventually converging the two, and b) by providing spending/cost data with drill down capabilities by locality, payment type, and benefit code in electronic

format, would eliminate duplicative financial reporting and make the SONC more useful to readers.

7. Continuing to classify the SOS as OI until FASAB deliberates and decides on whether it should become a required statement would be appropriate and recognize the limitation of now having only two years of experience in preparing the SOS within the pilot phase established by OMB.
8. Engaging FASAB proactively in reviewing the on-going development and evolution of the SOS would assure OMB that comments and reactions from the board members can be obtained and considered on a timely basis.
9. Encouraging experimentation with the SOS to see how agencies can build on and improve SOS reporting would permit OMB to monitor and evaluate the results of such experimentation and continue to refine future guidance concerning SOS preparation and reporting.

CliftonLarsonAllen Review of the Schedules of Spending Prepared by Agencies for FY 2013

In April 2013, CliftonLarsonAllen issued a report entitled, *A Look at Fiscal Year 2012 Schedules of Spending*, which analyzed FY 2012 SOS reporting. The report offered a look at the content and structure of these initial filings of the SOS by CFO Act agencies, and also identified best practices, suggested enhancements to the guidance for preparing the SOS, and issues to be considered for improving the clarity and meaningfulness of the SOS. This 2013 report continues to be available at <http://www.cliftonlarsonallen.com/Federal-Government/CLA-Report-Analyzes-Fiscal-Year-2012-Schedules-of-Spending-Federal-Government.aspx>.

In support of this important Federal financial reporting initiative, we collected published SOSs prepared for FY 2013 and conducted assessments and analyses. Based on our review, we found that:

- Among the 24 *CFO Act* agencies, only the Department of Defense (DOD) did not prepare an SOS
- All of the remaining 23 *CFO Act* agencies (*see APPENDIX B*):
 - Included the SOS in the OI section of the FY 2013 PAR or AFR
 - Fulfilled the minimum requirement by preparing Sections I and II of the SOS
- As further illustrated in *APPENDIX B*, some agencies went beyond the minimum reporting requirements, as follows:
 - Sixteen agencies prepared Section III, and ten of those 16 presented recipient categories as Federal and Non-Federal; one of the 16 presented recipient categories as Federal, Non-Federal, and Employees; while the remaining five presented more specific categories of recipients such as Individuals, State and Local Governments, Not-for-profit Organizations, Educational Institutions, Other Federal Agencies, etc.
 - Eleven agencies presented comparative spending schedules for FYs 2013 and 2012
 - Five agencies presented budgetary and non-budgetary credit reform financing accounts separately
 - Twelve agencies provided high level explanations on similarities and differences between the SOS, the SBR, and data reported in USAspending.gov.

SOS reporting beyond the CFO Act Agencies

In our April 2013 report, we noted that the Government Accountability Office (GAO) voluntarily met the minimum reporting requirement by preparing Sections I and II. As we conducted our research on published SOSs for FY 2013, we identified that, in addition to GAO, the Securities and Exchange Commission (SEC) also voluntarily prepared an SOS for FY 2013 that was included as Other Information in its FY 2013 AFR. Based on our review, we determined that the SEC went beyond the minimum SOS reporting requirements for FY 2013 by:

- Preparing a brief overview of SOS
- Preparing Section III, and
- Providing a brief narrative of its efforts to reconcile spending data from financial statements (i.e., SBR and SOS) to the USASpending.gov and noting the reasons for differences.

In our April 2013 report, we suggested that OMB expand the SOS requirement to include the 11 additional significant reporting agencies identified in the 2012 Financial Report of the United States (U.S.) Government (<https://www.fms.treas.gov/fr/index.html>). Accordingly, we were pleased by the SEC's initiative to prepare an SOS. We continue to recommend that OMB expand the SOS requirement beyond the CFO Act Agencies to include the 11 significant reporting entities listed in the annual Financial Report of the U.S. Government. The financial statements of these entities continued to be part of the Financial Report of the U.S. Government in FY 2013.

SOS preparation by Federal Credit Reform Act Agencies

(Special note to readers: Our analysis of reporting by Federal Credit Reform Act Agencies largely tracked our analysis of their reporting in FY 2012. Accordingly, some of the following information and our observations of SOS reports prepared for FY 2013 are similar to that provided in our study of FY 2012 SOS reporting.)

The objectives of the Federal Credit Reform Act (FCRA) are to:

- More accurately measure the costs of Federal credit programs
- Encourage delivery of benefits in the form most appropriate to the needs of beneficiaries
- Place the cost of credit programs on a budgetary basis equivalent to other Federal programs, and
- Improve reader understanding of the government spending between credit and other programs.

As such, agencies subject to the FCRA use non-budgetary credit reform financing accounts that require special presentation in the Combined SBR to properly capture and report their loan activities. When the non-budgetary credit reform financing accounts are material to the agency's spending, the agency *may* present the budgetary accounts and non-budgetary credit reform financing accounts separately, similar to the presentation in the SBR.

Based on our review of the SOS and the SBR, we determined that departments and agencies with credit reform activities reported the non-budgetary credit reform financing accounts utilizing the optional reporting permitted by OMB Circular A-136, except those otherwise noted, as follows:

FCRA Agency	Budgetary and Non-Budgetary Credit Reform Financing Accounts presented separately in the SBR	Similar presentation in the SOS to the Combined SBR	Significant Credit Program²
Department of Agriculture (USDA)	Yes	Yes	Yes
Department of Commerce (DOC)	No	No	No
Department of Education (DoEd)	Yes	Yes	Yes
Department of Energy (DOE)	No	No	No
Department of Housing and Urban Development (HUD)	No	No	Yes
Department of the Interior (DOI)	No	No	No
Department of Transportation (DOT)	Yes	Yes	Yes
Department of the Treasury (Treasury)	No	No	No
Department of Veterans Affairs (VA)	Yes	Yes	Yes
Agency for International Development (USAID)	No	No	No
Small Business Administration (SBA)	Yes	Yes	Yes

The following six credit or insurance entities are exempt from FCRA requirements:

1. Federal Deposit Insurance Corporation
2. National Credit Union Administration
3. Pension Benefit Guaranty Corporation
4. Federal Emergency Management Agency
5. Federal Crop Insurance Corporation
6. Tennessee Valley Authority

We concluded that the separate presentation of the Budgetary and Non-Budgetary Credit Reform Financing Accounts facilitated the reconciliation of the amounts presented in the SOS to the Combined SBR. However, the key to determining the usefulness and clarity of the information presented in the SOS was established by the presentation of the line item captions that categorized how the money was

² To determine the significance of the credit programs for each agency, we compared its loan portfolio subject to the FCRA requirements in relation to the agency’s total assets, as well as the activity in non-budgetary credit reform financing accounts in relation to the budgetary accounts.

spent. OMB Circular A-136 allowed agencies to present spending by categories (e.g., strategic goal, program, appropriations, sub-agencies, or grouping of sub-agencies). In our view, the tailoring of the presentation of line item captions at a sufficient level of detail added meaningful value to the SOS presentation.

For example, all of the DoEd's direct loans and loan guarantees were related to only one departmental goal: increase college access, quality, and completion. Related spending was clearly identified through line item captions within that goal, such as credit program loan disbursements and claim payments, credit program subsidy transfers, and Federal interest payments. This presentation is more meaningful when credit program activities are significant to the department or agency.

OMB Circular A-136 gave agencies the option to present categories as columns instead of line items presented on the left side of the SOS. We noted that HUD did not use separate columns to present the Budgetary and Non-Budgetary Credit Reform Financing Accounts. Instead, HUD used a columnar presentation to further break down its programs by component. We further noted that HUD included the amounts disbursed for direct loans and loan guarantees as part of the Acquisition of Assets line item caption, which does not allow for loan-related activities to be presented separately by type (e.g., loan payments, subsidy transfers, and interest payments). Also, the reconciliation of the SOS to the Combined SBR for certain line items, as required by A-136, was not readily apparent because its Combined SBR does not present the total of Budgetary and Non-Budgetary Credit Reform Financing Accounts by financial statement line item.

During our review, we observed that some of the FCRA departments and agencies may have considered materiality in determining whether to present their FCRA activity separately. We believe that such materiality considerations should be weighed by all departments and agencies in determining the best presentation for their SOS.

The departments and agencies listed above participate in the Federal Credit Policy Working Group (FCPWG), an interagency council that provides advice and assistance to OMB and the Treasury Department in the development and implementation of credit policy. We recommend that the FCPWG consider holding a meeting to discuss the best presentation of FCRA activity in the SOS. Special consideration in this regard should be given to the Treasury Department, which is involved at both ends of the spectrum when it comes to FCRA activities, as both a lender for FCRA programs and as a FCRA agency itself.

Best practices in the preparation of the SOS for FY 2013

We reviewed all published SOSs for FY 2013 and identified Federal entities that we believe demonstrated best practices in preparing this schedule.

1. Department of Labor (DOL): Notable best practices in presenting optional requirements and in enhancing the SOS illustrative template are as follows:

- Disclosed in a brief overview that the SOS is presented on a budgetary basis, the same as the SBR
- Described the general reasons for differences between the information included in the financial statements and USASpending.gov
- Presented a comparative SOS illustrating FYs 2013 and 2012 spending activities

- Included a brief overview in each section of the SOS, explaining its purpose
- Prepared Section II, giving due consideration to program materiality in determining the level of detail presented (i.e., aggregated information for programs not deemed individually material)
- Prepared Section III and exceeded the minimum requirement by displaying in more detail the types of entities receiving money (i.e. individuals, state and local governments, nonprofit organizations, higher education, etc.) and gave special consideration to transfers among agency funds, which are significant and would be misleading if comingled in other categories in the combined SOS
- Reconciled line items in the SOS to the corresponding SBR line items without exception and the reconciliation was readily apparent

2. Department of Veterans Affairs (VA): Notable best practices in preparing a thorough overview of the SOS and in enhancing the SOS illustrative template are as follows:

- Disclosed in a brief overview that the SOS is presented on a budgetary basis, the same as the SBR
- Included a statement that the agency's credit reform financing accounts are material to its financial statements, and therefore, the budgetary and non-budgetary credit reform financing accounts are presented in a manner similar to its SBR
- Included a brief overview in each section of the SOS, explaining its purpose
- Described its progress towards comparing, validating and integrating data between the SOS and USASpending.gov
- Described the general reasons for differences between the information included in the SBR, SOS and USASpending.gov
- Prepared Section II, giving a detailed explanation of its reconciling adjustment related to prior year recoveries
- Prepared Section III, meeting the minimum requirement by displaying Federal or Non-Federal types of entities receiving money by sub-organization (i.e. Administration)

3. Environmental Protection Agency (EPA): Notable best practices in meeting minimum reporting requirements for the presentation of the SOS are as follows:

- Provided an elaborate discussion of the information displayed in the SOS
- Presented a comparative SOS illustrating FYs 2013 and 2012 spending activities
- Included the same underlying data used to populate the SBR
- Indicated how the SOS information reconciled to the SBR through the use of notes

4. National Science Foundation (NSF): Notable best practices in including a narrative that highlights similarities and differences between the SOS, the SBR, and data reported in USASpending.gov are as follows:

- Explained that all three reporting elements share a common purpose to provide transparency to the general public
- Disclosed the different presentation of spending data displayed by each of the three reporting elements
- Distinguished three key variances between USASpending.gov and the SOS

Reporting practices to be avoided

Just as there were notable “best practices” to be emulated, some agencies did not fully comply with OMB Circular A-136 guidance regarding the presentation of their SOS. SOS reporting deficiencies observed for FY 2013 to be avoided when reporting for FY 2014, included:

1. Not adequately explaining the basis of presentation of the SOS, or not providing other information deemed helpful to give context to readers’ understanding of the SOS. For example, it would be helpful to explain the following:
 - a. The reported spending is based on obligations incurred on a combined basis
 - b. The data used to prepare the SOS is the same financial accounting and reporting data contained in the Combined SBR, and
 - c. The relationship of the financial information presented in the SOS to the contract and acquisition data presented in USASpending.gov.
2. SOS not reconciling to the Combined SBR either in total or at the line item level, and reconciling differences not explained
3. Payroll and benefits not listed as a payment category in the SOS
4. Having a material dollar amount included in the Other category without offering a breakdown and further explanation
5. Listing budget object code (BOC) numbers in addition to BOC descriptions may not be necessary
6. Aggregating into one line item individually material spending that falls in separately distinct categories (e.g., Grants, Intra-Agency Transfers, Interest Payments, Contractual Services, etc.)
7. Not following the latest OMB guidance in A-136 regarding the SOS structure. For instance, presenting four sections of the SOS for FY 2013 instead of the minimum of two sections plus the voluntary inclusion of Section III, and not sorting the spending categories from largest to smallest dollar amount to help readers put spending into perspective

CLA suggested best practices for SOS Section III in FY 2014

The most challenging section of the SOS, “Who did the Money go to,” will be required to be completed in FY 2014. We anticipate that agencies are taking preparatory steps for obtaining the information necessary for meeting this additional minimum reporting requirement. For this section, the OMB template offers a generic breakdown of recipients by type of entity (i.e. for profit, government, higher education, individuals, not-for-profit, and other). Below, we are offering our recommendations on how the current categories might be modified to achieve even greater clarity and transparency.

SOS Category: Government

Federal agencies provide grants and other types of assistance payments to state and local governments, as well as foreign governments. Further, many Federal agencies procure services from other Federal agencies, such as the GSA, Government Printing Office, and OPM. Therefore, the “Government” category should be further broken down into categories such as state & local governments, foreign governments, and other Federal service providing agencies.

For Federal entities that engage in parent/child relationship transactions, OMB Circular A-136 requires the parent to report all budgetary and proprietary activity in its financial statements, whether material to the child, or not. The parent is accountable for and maintains the responsibility for reporting, while the child performs on behalf of the parent and controls how the funds are expended. Although the parent/child reporting section of A-136 does not specifically discuss reporting requirements for the SOS, its guidance applies to the SOS, including Section III, when the transferred balance is material to the parent agency. Therefore, it is necessary for the parent agency to work with child agencies to obtain the details on the fund recipients and reflect this information when completing the SOS Section III. Adequate planning and communication between the parent and child agencies should ensure that transparency is achieved at the parent level of reporting. For those agencies that have not already initiated communication, completion of Section III of the SOS in this suggested format may pose a daunting challenge, as the recipient information in most cases will only be available to the child agencies that execute transactions and makes payments.

In order to facilitate agency coordination going forward, OMB should consider clarifying and enhancing the financial reporting and presentation guidance for the SOS included in OMB Circular A-136 regarding parent/child reporting to include the information that the child agency will need to report to the parent agency for completing the SOS.

SOS Category: Higher Education

Higher education institutions are either for profit or not-for-profit, with “not-for-profit” being a separate category in the SOS Section III. To avoid confusion as to the reporting of funds to higher education institutions, it is recommended that “Higher Education” be broken down into “Higher Education–Not-for-Profit” and “Higher Education–For Profit.”

SOS Category: Individuals

Federal agencies make payments to individuals for various reasons. Therefore, it is recommended that this category be further broken out into categories such as:

- Individuals as recipients of Federal salaries-military and civilian
- Individuals as recipients of Federal retirement benefits-military and civilian
- Individuals as recipients of disability payments-military and civilian
- Individuals as social insurance program beneficiaries-Social Security and Medicare, and
- Individuals as recipients of other Federal programs, with the “other” category further explained for major agency programs.

General Conclusions

Collectively, 23 of the 24 CFO Act departments and agencies complied with Federal financial reporting requirements for the SOS for the fiscal year-ended September 30, 2013, in accordance with requirements outlined in OMB Circular A-136. However, A-136 guidance, including the illustrative template (see *APPENDIX C*) could be enhanced by incorporating the best practices discussed above as well as concerns, comments and recommendations raised during onsite interviews. Also, OMB should consider the costs and benefits associated with continuing efforts to implement the SOS and in bridging the relationship between the data reported in SOS and USASpending.gov.

APPENDIX A – List of Interviewees

Federal Accounting Standards Advisory Board (FASAB)

- Wendy Payne, Executive Director
- Ross Simms, Assistant Director

Government Accountability Office (GAO)

- Bob Dacey, Chief Accountant
- Deirdre Hardiman, Deputy Director of Financial Management
- Pete Knopes, Financial Reporting Division

U.S. Department of Labor

- Stanley Karczewski, Director of Financial Reporting and Compliance

U.S. Department of the Interior

- Douglas Glenn, Deputy Chief Financial Officer
- Paul McEnrue, Financial Reporting Division Chief

U.S. Department of Veteran Affairs

- Edward Murray, Deputy Chief Financial Officer
- Katherine Palmer, Associate Deputy Assistant Secretary (ADAS) for Financial Policy
- Shirley Pratt, ADAS for Office of Financial Process Improvement and Audit Readiness
- Ron Hallameyer, Deputy Director, Office of Financial Policy
- Stephen MacQueen, Director, Management and Financial Reporting

U.S. Department of Education

- Charles Allen, Accountability and Financial Reporting Group Staff Accountant
- Stacy Boyd, FMR Consultant

APPENDIX B - Analysis of Published SOS

Name of the CFO Act Agency	Prepared Section I and II (minimum requirement)	Prepared Section III (optional requirement)	Presented comparative schedules for FY 2012 and 2013	Presented Budgetary and Non-Budgetary Credit Reform Financing Accounts separately	Explained difference amongst SOS, SBR, and USASpending.gov
Department of Agriculture (USDA)	Yes	Yes; presented Fed and NonFed	No	Yes	Yes
Department of Commerce (DOC)	Yes	Yes; presented Fed and NonFed	Yes	No	No
Department of Education (DoEd)	Yes	No	Yes	Yes	Yes
Department of Energy (DOE)	Yes	No	Yes	No	Yes
Department of Health and Human Services (HHS)	Yes	Yes; presented Fed and NonFed	No	Not Applicable	No
Department of Homeland Security (DHS)	Yes	Yes; presented Fed and NonFed	No	Not Applicable	Yes
Department of Housing and Urban Development (HUD)	Yes (using 2012 format)	Yes; presented Types of Recipients	Yes	No	No
Department of the Interior (DOI)	Yes	Yes; presented Fed and NonFed	No	No	No
Department of Labor (DOL)	Yes	Yes; presented Types of Recipients	Yes	Not Applicable	Yes
Department of Justice (DOJ)	Yes	Yes; presented Types of Recipients	No	Not Applicable	No
Department of State (State)	Yes	No	No	Not Applicable	Yes
Department of Transportation (DOT)	Yes	No	No	Yes	No

APPENDIX B - Analysis of Published SOS (cont'd)

Name of the CFO Act Agency	Prepared Section I and II (minimum requirement)	Prepared Section III (optional requirement)	Presented comparative schedules for FY 2012 and 2013	Presented Budgetary and Non-Budgetary Credit Reform Financing Accounts separately	Explained difference amongst SOS, SBR, and USASpending.gov
Department of Treasury (Treasury)	Yes	Yes; presented Fed and NonFed	Yes	No	No
Department of Veteran Affairs (VA)	Yes	Yes; presented Fed and NonFed	No	Yes	Yes
Agency for International Development (USAID)	Yes	Yes; presented Types of Recipients	No	No	No
Environment Protection Agency (EPA)	Yes	No	Yes	Not Applicable	No
General Services Administration (GSA)	Yes	Yes; presented Fed, NonFed, and employees	Yes	Not Applicable	Yes
National Aeronautics and Space Administration (NASA)	Yes	Yes; presented Fed and NonFed	Yes	Not Applicable	Yes
National Science Foundation (NSF)	Yes	No	No	Not Applicable	Yes
Nuclear Regulatory Commission (NRC)	Yes	Yes; presented Types of Recipients	Yes	Not Applicable	No
Office of Personnel Management (OPM)	Yes	Yes; presented Fed and NonFed	Yes	Not Applicable	No

APPENDIX B - Analysis of Published SOS (cont'd)

Name of the CFO Act Agency	Prepared Section I and II (minimum requirement)	Prepared Section III (optional requirement)	Presented comparative schedules for FY 2012 and 2013	Presented Budgetary and Non-Budgetary Credit Reform Financing Accounts separately	Explained difference amongst SOS, SBR, and USASpending.gov
Small Business Administration (SBA)	Yes	Yes; presented Fed and NonFed	No	Yes	Yes
Social Security Administration (SSA)	Yes	No	No	Not Applicable	Yes

Name of Other Federal Agency	Prepared Section I and II (minimum requirement)	Prepared Section III (optional requirement)	Presented comparative schedules for FY 2012 and 2013	Presented Budgetary and Non-Budgetary	Explained difference amongst SOS, SBR, and USASpending.gov
Government Accountability Office (GAO)	Yes	No	Yes	Not Applicable	Yes
Securities and Exchange Commission (SEC)	Yes	Yes; presented Fed and NonFed	No	Not Applicable	Yes

Note 1: "Not Applicable" in the above table denotes the absence of transactions meeting Credit Reform Act requirements.

Note 2: A "Yes" response in the above tables is not necessarily an indicator that the agency met the requirement without any exceptions.

APPENDIX C – Schedule of Spending Illustration from A-136

Agency Name
 Schedule of Spending
 For the Years Ended September 30, 2XXX (CY) and 2xx (PY) in millions

	FY 2XXX	FY 2XXX
What Money is Available to Spend?		
Total Resources	\$X,XXX,XXX	\$X,XXX,XXX
Less Amount Available but Not Agreed to be Spent	\$XX,XXX	\$XX,XXX
Less Amount Not Available to be Spent	\$X,XXX	\$X,XXX
Total Amounts Agreed to be Spent	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>
How was the Money Spent/Issued?		
Category*		
Object Class (e.g., Rent)**	\$XXX,XXX	\$XXX,XXX
Object Class (e.g., Travel)	\$XXX,XXX	\$XXX,XXX
Contracts	\$XXX,XXX	\$XXX,XXX
Grants	\$XXX,XXX	\$XXX,XXX
Loans and Guarantees	\$XX,XXX	\$XX,XXX
Financial Assistance Direct Payments	\$XXX,XXX	\$XXX,XXX
Other Financial Assistance	\$XX,XXX	\$XX,XXX
Insurance	\$XX,XXX	\$XX,XXX
Interest and Dividends	\$XX,XXX	\$XX,XXX
Other	\$XX,XXX	\$XX,XXX
Category*		
Object Class (e.g., Supplies)**	\$XXX,XXX	\$XXX,XXX
Object Class (e.g., Payroll)	\$XXX,XXX	\$XXX,XXX
Contracts	\$XXX,XXX	\$XXX,XXX
Grants	\$XXX,XXX	\$XXX,XXX
Loans and Guarantees	\$XX,XXX	\$XX,XXX
Financial Assistance Direct Payments	\$XX,XXX	\$XX,XXX
Other Financial Assistance	\$XXX,XXX	\$XXX,XXX
Insurance	\$XXX,XXX	\$XXX,XXX
Interest and Dividends	\$XX,XXX	\$XX,XXX
Other	\$XX,XXX	\$XX,XXX
Total Amounts Agreed to be Spent	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>

APPENDIX C – Schedule of Spending Illustration from A-136 (cont'd)

Who did the Money go to?

For Profit	\$XXX,XXX	\$XXX,XXX
Government	\$XXX,XXX	\$XXX,XXX
Higher Education	\$XX,XXX	\$XX,XXX
Individuals	\$XXX,XXX	\$XXX,XXX
Not-for-Profits	\$XX,XXX	\$XX,XXX
Other	\$XX,XXX	\$XX,XXX
Total Amounts Agreed to be Spent	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>

* Agencies have the option to present categories as columns instead of sections going down the left side of the schedule.

**Note, the actual object class number(s) for purchased goods and services would not be included in the SOS. Instead the title of the object class code(s) presented would be included.

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