

**Statement of
Jonathan D. Breul
Executive Director
IBM Center for The Business of Government**

before the

**House Committee on Oversight and Government Reform
Subcommittee on Government Organization, Efficiency and Financial Management**

February 16, 2011

Good afternoon, Mr. Chairman and Members of the Subcommittee:

I am pleased to have the opportunity to testify before the Subcommittee regarding the recent report of the Federal Accounting Standards Advisory Board (FASAB) Financial Reporting Model Task Force.

I am Executive Director of the IBM Center for The Business of Government and a Partner in IBM's Global Business Services. The IBM Center connects public management research with practice. Since 1998, we have helped public sector executives improve the effectiveness of government with practical ideas and original thinking. We sponsor independent research by top minds in academe and the nonprofit sector and host a weekly radio show "The Business of Government Hour" which presents in-depth stories on government executives and public managers who are changing the way government does its business.

Consolidated financial report

On December 21, 2010, the United States government released its annual financial report. Although the report presents information that is important to citizens as they form judgments about the fiscal future of the federal government under current policy, it is unlikely that many Americans will be aware of its existence and availability. Because the nation is currently engaged in crucial debates about the appropriate response to its near-term and long-term fiscal imbalance, the annual financial report is now more relevant to citizens, political leaders, and analysts than ever before. Further, the recent celebration of the 20th anniversary of the Chief Financial Officers (CFO) Act offers a clear reminder of the considerable improvement in federal financial reporting over the past two decades. However, the challenge of effectively delivering the information to users remains unfinished.

FASAB Financial Reporting Model Task Force

I recently served as a member of the FASAB Financial Reporting Model Task Force. The objective of the Financial Reporting Model Task Force was to increase users' access to and understanding and use of financial information about the federal government, while avoiding costly requirements that do not add value. To do so, the task force focused on the Consolidated Financial Report of the U.S. Government (CFR) because the public would likely start with the CFR to learn about the fiscal health of the federal government as a whole. The task force also reviewed FASAB's user needs study and considered the questions, suggested lines of inquiry, and ideas of FASAB members.

The task force recommendations were intended to considerably strengthen the presentation, availability, and usefulness of critical financial information about the federal government to citizens. Our recommendations built on the existing financial reporting model and would lead to easier access to more understandable federal financial information.

The user needs study showed that citizens and some executives and managers noted difficulty understanding information in financial reports. They believed that the documents are intended for accountants or economists rather than citizens and managers. Consequently, citizens believe that to best meet FASAB's objectives and the public's needs for transparency and accountability, the federal government should adopt an electronic, web-based method of communicating information about the financial condition and performance of the federal government. The task force noted that this method would enable the federal government to meet more user needs more quickly and at a lower cost than the paper-based method currently used. The task force envisioned that the electronic, web-based method would involve a central web site for financial and performance information with multimedia presentations to help educate users about the significance of the information. In addition, the site should include: the ability for users to "drill-down" to the appropriate level of detailed material; machine-readable data to enable users to conduct searches and download data for analysis; and the ability to report cost and accomplishments in a variety of ways based on user preferences.

The task force also recommended reporting additional financial and non-financial measures and changes in the presentation of information in existing reports to assist users in understanding the financial condition and performance of the federal government. Since four of the task force's ten recommendations focus on methods to enhance communication of government-wide financial information, I will devote the balance of my statement to highlighting these recommendations.

Adopt an electronic, web-based reporting method

The task force's first recommendation was to move away from paper-based reporting and adopt an *electronic, web-based reporting* method. Technology has fundamentally changed the way information is communicated. Print media are losing ground to the electronic media. The public relies increasingly on digital devices, complex networks,

and interactive media to obtain information on-demand. The task force expects this pattern in how people obtain information will continue to accelerate. Accordingly, financial reporting needs to switch from a paper-based, static reporting model to an electronic, dynamic form that is readily available online. It should also link the financial performance of the federal government in the CFR to that of its component agencies by providing all federal financial statements and program performance measures through a central web site that enables users to quickly find the information of greatest interest.

Explore how best to report additional government-wide performance information

The task force's second recommendation urged FASAB to explore how best to report additional government-wide *program performance* in the management's discussion and analysis (MD&A) of the CFR or in another electronic government-wide presentation. The nation is engaged in deliberations to determine the federal government's future role in the economy and society. Program performance measures presented within the CFR could potentially help inform the national debate, especially if structured to provide information on such matters as: the government's *effectiveness* in achieving planned goals, and the economy and efficiency of government operations.

Present a functional statement of net cost in the CFR with departmental net cost by function as required supplementary information

Third, the task force recommended presenting net cost and spending (outlays) by *function* as a basic financial statement and present net cost by *function* and department (or agency) in required supplementary information. The current statement of net cost in the CFR presents net costs by *agency*. FASAB focus group discussions with citizens indicated that users are more likely to focus on the government's *functions* rather than the *agencies* responsible for administering them. Functions present information in terms of the principal national need the programs are intended to serve, and each program is related to a single functional category that best represents its major purpose, regardless of the entity that administers it. In addition, Congress and federal government leaders are familiar with the function classifications.

Establish a federal financial information web site and raise awareness of federal financial information

The final task force recommendation was to establish a *central web site* for federal financial information and inform the public of its availability. Ultimately, the success of the previous recommendations requires raising public awareness of federal financial reports and the information they provide. Currently, the public is not aware that financial reports exist and some groups are building their own federal financial information Web sites to inform public debates. Diverse web sites and information sources that report "federal" financial information can be confusing to the public. A web site would enable the federal government to take advantage of existing technologies and help identify improvements that may be needed. In addition, the government should undertake an initiative to increase awareness of the new federal web site.

Conclusion

The static, paper-based financial reports that the federal government delivers today contain important information about the financial health of the federal government. However, the reports are not presented and available in a way that engenders use, thereby limiting their impact. The federal government needs to make full use of modern technology to improve the presentation of information and adapt to the ways users want to receive information and are more likely to use the consolidated financial report.

I would again like to thank the Subcommittee members for this opportunity to speak before you today and would be pleased to respond to any of your questions.

JONATHAN D. BREUL

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ACCOMPLISHMENTS

- Developed and launched the Government Performance and Results Act (GPRA) – the landmark management reform legislation designed to enable the federal government to manage and budget for results;
- Played an instrumental role in the design and operation of the President's Management Council, the development and implementation of President Bush's Management Agenda, and efforts to increase the use of performance information in the resource allocation process; and
- Helped Senator John Glenn launch the Chief Financial Officers (CFO) Act.

EXPERIENCE

IBM Global Business Services

2002 – present *Executive Director, IBM Center for The Business of Government, and Partner, IBM Global Business Services.* I lead the IBM Center which annually sponsors two dozen independent research reports by top minds in academe and the non-profit sector, produces a weekly *Business of Government Hour* radio show, and publishes the biannual *Business of Government* magazine which is distributed to all government executives.

Georgetown University

2004- present *Adjunct Professor – Georgetown University graduate Public Policy Institute.* I teach graduate courses in "Performance Management" and "Contracting" as well as advise students completing a Capstone public policy management project.

Office of Management and Budget (OMB), Executive Office of the President

1994 - 2002 *Senior Advisor to the Deputy Director for Management.* I was the Deputy Director's principal advisor on performance management, workforce restructuring, and other general management issues, including efforts to increase the use of performance measures in the resource allocation process. I played a central role in the U.S. Office of Management and Budget's (OMB) policy development and leadership to strengthen the Government's institutional capacities to set goals, ensure effective execution of Presidential objectives, and measure public sector performance. I also supported the Deputy Director in his capacity as chair of the President's Management Council and his responsibility for implementing the President's Management Agenda. In addition, I served as the U.S. delegate and elected Vice-Chair of the Organization for Economic Cooperation and Development (OECD) Public Management Committee

1990 - 1993 *Evaluation and Planning Branch Chief, General Management Division.* My staff and I developed the Government Performance and Results Act, the landmark legislation which underpins subsequent legislative reforms and the President's Management Agenda. We approved 71 pilots in 26 departments and agencies covering more than 375,000 federal workers and \$48 billion in fiscal 1995 operating costs to learn how to link strategic planning to the budget and assess what programs actually accomplish. Also, I exceeded the President's goal under E.O. 12838 which required a one-third reduction of Federal Advisory Committees. Previously, I successfully managed several dozen OMB "SWAT" and Review teams to "fix" critical management problems.

1983 - 1989 *Senior Management Analyst, Financial Management Division.* During a nine-month assignment to the Senate Committee on Governmental Affairs, I handled a wide range of organizational and management issues, including drafting legislation for the CFOs Act, elevation of EPA to Cabinet status, and various oversight hearings (i.e., OMB's management role, Inspectors General). While at OMB I was the "recognized expert" to senior OMB and White House personnel on grants management matters.

Department of Health and Human Services (HHS)

1976 - 1982 *Senior Grants Policy Specialist, Office of Assistant Secretary for Management and Budget.* I designed, evaluated and reformed human service programs to States and local governments and nonprofit agencies, and research support to institutions of higher education.

General Services Administration (GSA)

1973 - 1975 *Management Analyst, Office of Federal Management Policy.*

United States Air Force

1969 - 1972 *1st Lieutenant, Administrative Management Officer.*

EDUCATION

Federal Executive Institute, 1991.

George Washington University, Graduate Legal Assistant, 1974.

Northeastern University, Master of Public Administration, 1973.

Colby College, Bachelor of Arts, Government major, 1969.

PROFESSIONAL AFFILIATIONS

- Fellow - National Academy of Public Administration (NAPA)
- Member - American Society for Public Administration (ASPA)
- Member - American Evaluation Association (AEA)
- Member - Association for Public Policy Analysis and Management (APPAM)
- Member - American Association of Program and Budget Analysts (AABPA)

Committee on Government Oversight and Reform
Witness Disclosure Requirement "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name: Jonathan D. Breul

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2008. Include the source and amount of each grant or contract.

None

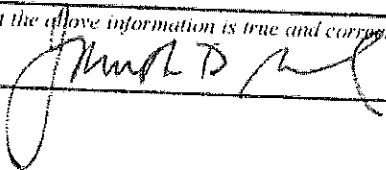
2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

I am Executive Director of the IBM Center for The Business of Government and a Partner in IBM Global Business Services.

3. Please list any federal grants or contracts (including subgrants and subcontracts) received since October 1, 2008 by the entity(ies) you listed above. Include the source and amount of each grant or contract.

IBM is a vendor competing for information technology business across the Federal Government, including the Legislative, Executive and Judicial branches, as well as independent establishments and government corporations. Our contracts are numerous and vary at any given time. The contracts were principally for IT-related services and in total, represented less than two percent of IBM's 2010 revenue.

I certify that the above information is true and correct.
Signature



Date: February 14, 2011
