

Testimony of Michael Hettinger

before the Subcommittee on Government Organization, Efficiency and Financial Management

Committee on Oversight and Government Reform

U.S. House of Representatives

February 16, 2011

Chairman Platts, Ranking Member Towns, and Members of the Subcommittee, thank you for the opportunity to testify today.

As you know, from 2003 – 2006, I served as Staff Director of this Subcommittee, then known as the Subcommittee on Government Management, Finance and Accountability. I am currently an Executive Director with Grant Thornton's Global Public Sector practice, but I am here as a witness today based on my experience serving as a member of the Financial Reporting Model Task Force to the Federal Accounting Standards Advisory Board (FASAB). My testimony does not necessarily reflect the views of Grant Thornton LLP.

I applaud the committee for holding this hearing today and for your ongoing interest in government efficiency and effectiveness.

Since the enactment of the Chief Financial Officers Act of 1990, we have seen steady and significant improvement in the quality and availability of information about the federal government's finances. That information, contained in individual agency financial statements, Performance and Accountability Reports (PARs), the Consolidated Financial Report (CFR), and other reports, provides a sound baseline for decision-makers and citizens alike to better understand how the federal government is using their hard earned tax dollars.

The issuance of the CFR in mid-December each year should set off a chain of events where Congress, the Administration and the general public have an opportunity to look at the financial condition of the government prior to the issuance of the President's Budget. All too often however, the issuance of the CFR goes largely unnoticed.

About six years ago, when I worked on this committee, I participated in an effort led by the Department of Treasury to improve the usefulness of the CFR. That effort, among other things, led to the development of the Citizen's Guide to the Financial Report of the U.S. Government. This document provides an effective high-level summary of the highlights of that year's CFR – useful for citizens seeking a basic understanding, but not necessarily useful for Congress or other decision-makers.

Congressional User Needs

Last Spring, FASAB conducted a user needs study to assess the financial information needs of the U.S. Congress.ⁱ This study follows mid-1980s study by GAO.

The GAO Federal Government Reporting Study (FGRS), conducted in 1986 found with respect to legislators that Congress needed specialized agency and programmatic information for the conducting of committee business, but summary-level information for use in communicating with constituents, providing a means for the federal government to demonstrate accountability.

The Spring 2010 study confirmed that many of these same needs are applicable today and fall into four broad categories: budgetary

integrity, operating performance, stewardship, and systems and control.

From my experience, these broad categories accurately reflect the information needs of Congress. Members and staff attain this information from a variety of sources, including the news media, agencies directly, legislative support organizations such as CRS, inspectors general, or via your own research and oversight.

There is also a wealth of information contained in statutorily required reports, including the CFR as well as agency PARs, and I believe Congress and the general public would benefit from making that information more readily available and understandable.

Interest in government financial information has increased

With the creation of websites like USASpending.gov, Data.gov, the Federal Procurement Data System, and private websites looking at the financial condition of the government, citizens now have access to more information than ever before and clearly more interest in the information contained in them. Ease of use and the relevance of the information housed on these sites drive visitors. However, the completeness and accuracy of the data contained within is essential for those government-owned sites.

The mission of Financial Reporting Model Task Force: To increase users' access to and understanding and use of financial information in the CFR of the federal government, while avoiding costly requirements that do not add value, sought to address this very issue. I was pleased to be a part of this effort because I believe that mission gets to the heart of where we stand on federal financial management, 20 years

after enactment of the CFO Act: We have a great deal of information, but that information is not understandable by the general public or useful for decision-makers.

The report of the Financial Reporting Model Task Force makes 10 key recommendations, ranging from adopting an electronic web-based reporting model (Recommendation #1) to presenting a functional statement of net cost in the CFR (Recommendation #3) to establishing a federal financial information web site and raising awareness of federal financial information (Recommendation #10).

Recommendation 1, asking Treasury to move away from a paper-based reporting model by adopting an electronic, web-based reporting method is essential if we are to move in the direction of improving the availability and transparency of government financial information. This recommendation, combined with Recommendation 10, which calls for the establishment of a federal financial information web site to help raise awareness of the government's financial information go a long way toward improving the ease of access to information.

Recommendation 3, regarding a functional Statement of Net Cost, would present net cost and spending (outlays) by function (i.e. health care) rather than agency (i.e. HHS). This recommendation is essential to understanding the true cost of government.

Other recommendations, such as Recommendation 8, seeking a re-orientation of the balance sheet display and enhancing the related MD&A discussion and Recommendation 9, calling for explanatory text to be added to the balance sheet to explain the difference between net position and fiscal gap, would go a long way toward making the

information understandable to decision-makers and the general public alike.

In closing, thank you again for the opportunity to appear before the Subcommittee today. There is a wealth of important information contained in the Consolidated Financial Report and agency financial statements, but to make that information relevant it must be timely, accurate, understandable and usable. I am happy to answer any questions the Committee members may have.

¹ Survey was conducted in May 2009, with FASAB contacting the majority and minority staff of each House and Senate Committee, except the Senate Committee on Rules, Senate Select Committee on Ethics, House Committee on Rules and House Committee on Standards of Official Conduct. FASAB received only three responses. Consequently FASAB reviewed publicly available information including the Clerk of the House January 2007 *Reports to be Made to Congress* report

Michael J. Hettinger

Mr. Hettinger is currently the Executive Director of Practice Planning and Marketing with Grant Thornton LLP's Global Public Sector Practice. In this position, Mr. Hettinger is responsible for firm-wide strategic business planning, federal marketing, and external relations, including serving as media liaison and spokesman for the firm. Prior to joining Grant Thornton, Mr. Hettinger was the staff director of the House of Representatives Committee on Government Reform, Subcommittee on Government Management, Finance and Accountability. In this role, Mr. Hettinger was responsible for the development and passage of the Department of Homeland Security Financial Accountability Act, which required an internal control audit at DHS and led to the strengthening of OMB Circular A-123. Mr. Hettinger is a well-respected leader in the financial management community.

Under Mr. Hettinger's leadership, the Government Management Subcommittee conducted more than 55 hearings on the financial reporting and management requirements of laws such as the Chief Financial Officers Act, the Inspector General Act, the Federal Financial Management Improvement Act, the Accountability of Tax Dollars Act and the Debt Collection Improvement Act, as well as examining the quality of agencies' strategic planning, and performance goals and reports in accordance with the Government Performance and Results Act. Mr. Hettinger has been a frequent speaker at management conferences on topics ranging from internal control reporting requirements to the overall need to reform federal management practices.

Mr. Hettinger also has an extensive background in public affairs, having served as a Public Policy Counselor at Patton Boggs LLP for nearly four years where he oversaw large-scale lobbying and public affairs campaigns. Prior to joining Patton Boggs, Mr. Hettinger was Chief of Staff to Representative Tom Davis of Virginia.

He holds a B.A. in Philosophy from Lake Forest College in Illinois.

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

Name:

Michael Hettinger

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

I am an employee of Grant Thornton LLP, which has numerous contracts with the federal government. I am testifying as a private citizen based on my prior work in the U.S. Congress

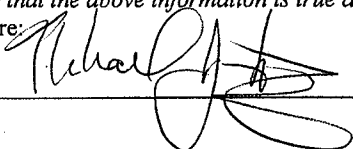
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