

XBRL <<<<<<<

By Kristine Brands, CMA, CPA

U.S. Federal Government XBRL Reporting Update

>>> During 2011, the U.S. federal government made significant progress toward expanding the use of eXtensible Business Reporting Language (XBRL) reporting by U.S. federal agencies.

While the Securities & Exchange Commission's (SEC) 2009 XBRL reporting mandate reached an important milestone in 2011 with the addition of Tier 3 nonaccelerated filers with market capitalization of less than \$700 million, other initiatives to expand U.S. federal agency use of XBRL reporting had failed prior to 2011. But last year was a turning point because three pieces of legislation were introduced, with one signed into law, specifying the use of a standardized business reporting (SBR) tool to achieve transparency and accountability for several federal programs' reporting. These legislative developments mirror the global trend toward incorporating comprehensive SBR reporting for regulatory and government program reporting.

Let's take a look at these legislative developments and at an important development for the SEC XBRL reporting mandate that affects U.S. public companies.

Three Bills Requiring SBR Are Discussed

The first bill, H.R. 2146/S.1222: Digital Accountability and Transparency Act, or DATA Act, was introduced in June 2011 to require all recipients of federal funds to submit a quarterly report to the Federal Accountability and Spending Transparency Board established by the Act. The purpose of this report is to track federal spending, including grants, contracts, loans, and agencies' internal expenses.

Next, on September 30, 2011, President Obama signed H.R. 2883: the Children and Family Services Innovation and Improvement Act into law to extend two child welfare programs—the Stephanie Tubbs Jones Child Welfare Services Program and the Safe and Stable Families program. These programs address the needs of the nation's most vulnerable populations.

The third bill, H.R. 3339: Standard Data and Technology Advancement Act, or the Standard Data Act, was introduced in November 2011. Its purpose is to establish standardized data requirements for the electronic content and format of data used to administer key

human services programs covered by the Social Security Act. These programs include Temporary Assistance for Needy Families (TANF), child care, child support, foster care and adoption, Supplementary Security Income (SSI), and unemployment insurance. This pending legislation represents another bipartisan effort to improve the transparency and consistency of program reporting. Rep. Lloyd Doggett (D.-Texas), the bill's co-sponsor, says: "This bill is a good step toward ensuring government programs are able to communicate effectively and efficiently with each other—a step that will ultimately address fraud and abuse, while at the same time helping eligible Americans receive the assistance that they need."

All three bills include identical provisions regarding the data standards to achieve the reporting requirements: "to the extent practicable, incorporate existing nonproprietary standards, such as the eXtensible Business Reporting Language (XBRL)." Former IMA® Chair Kim Wallin, the controller of the state of Nevada and a member of IMA's XBRL Standing Committee, made the case for adopting an XBRL solution

during her congressional testimony supporting the DATA Act. She said: “XBRL goes beyond reporting and provides the mechanism to sort through mountains of information and to help governments to make informed decisions. Using XBRL will improve transparency, accountability, and give citizens and government officials alike better access to how we are spending taxpayer dollars and what we are doing with [them].” Despite the reference to XBRL in each bill, the final data reporting standard hasn’t been selected for any of the bills. IMA endorses the adoption of XBRL to achieve standardized reporting for these bills.

XBRL SEC Mandate Limited Liability Window Expires

Finally, U.S. public companies need to understand the implications of the expiration of the SEC limited liability provision in the 2009 XBRL filing mandate. The SEC mandate’s XBRL final rules included several provisions to lessen the implementation burden on filers. One of the most significant provisions was classifying the submission of financial state-

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ments tagged in XBRL as *furnishing* financial statements, not *filing* them for the first two years after a company’s initial XBRL filing. This means that as long as a filer submitted the financial statements with tags that were chosen in good faith and corrected errors promptly, the filer wouldn’t face SEC liability penalties for filing errors.

The first two waves of large filers, Tier 1 and Tier 2 companies (large accelerated filers with market capitalization larger than \$700 million), have

or will soon reach the end of the 24-month grace period. The limited liability window for all filers expires October 31, 2014. Companies that outsource XBRL financial statement tagging and haven’t taken an active role in evaluating the quality of their tagging choices must take active ownership of their tagged data or face the risk of penalties for data-tagging filing errors. Though the SEC hasn’t explained the implications of the expiration of the limited liability window, companies still face exposure for data-tagging filing errors. Because of the complexity of complying with the SEC XBRL tagging mandate, many companies outsourced this activity to third-party providers and may have adopted an “out of sight, out of mind” attitude about their XBRL tagged data. Think about adding an XBRL tagging quality initiative to your 2012 New Year’s resolutions. **SF**

Kristine Brands, CMA, CPA, is an assistant professor at Regis University in Colorado Springs, Colo., and is a member of IMA’s Pikes Peak Chapter. You can reach her at kbrands@yahoo.com.