

**Summary and analysis of public comments for:
EXPENSE AREA GROUP (EAG) REPORTING
Comment period ended: 13 July 2009
Summary published: 21 August 2009
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I. BACKGROUND

As one important element of transparency and accountability, ICANN strives to publish meaningful, accessible financial and operational information. Through its history, ICANN has consistently increased the quantity and quality in the amount of detail provided in its financial reporting. Within the last 24 months, for example, ICANN developed monthly dashboard reporting on financial data.

In response to community requests to view ICANN's expenses in reports more aligned with stakeholder interest areas, ICANN has developed a new financial report: Expense Area Group (EAG) reporting (formally known as Cost Analysis Group). The categories depicted in this view of ICANN's budget are based on ICANN's organizational structure.

The [attached paper](#) [PDF, 272K] describes the Expense Area Group reporting, the analysis and methodology used to create these reports, and more information on cost accounting at ICANN.

This new EAG reporting is simply one more view of ICANN's finances, equal in importance with a functional representation, or a representation by ICANN's accounting codes. In fact, no single representation captures the fundamentally interconnected nature of ICANN's work and mission. ICANN is responsible for coordinating the Internet's unique identifiers at a global level, which is only possible when all of ICANN's organizational structures are working with each other, and on a global basis. Still, this EAG analysis provides another useful way to understand the totality of ICANN's financial operation.

This comment period was intended to encourage community members to provide feedback on this new financial report, to help ensure that this type of reporting is responsive to the needs of the community.

II. GENERAL COMMENTS and CONTRIBUTORS

As of the 13 July 2009 deadline, a total of 6 community submissions have been made by groups and individuals to this comment forum; after the deadline, an additional 4 community submissions have been received from groups and individuals. The comments were submitted by five separate groups and five individuals (including two advertisements). The contributors are listed below in alphabetical order (with relevant initials noted in parentheses):

At-Large Advisory Committee (ALAC) (submitted on 14 July 2009 after the close date)

David Archbold (DA)

GNSO Registries Constituency (RyC)

GoDaddy.com (GD) (submitted on 14 July 2009 after the close date)

Henoxx (HEN)

Lesley Cowley (LC)

Mathieu Weill (AFNIC)

Michael D. Palage (MP)

Rami Shaker (RS) (advertisement submitted on 14 July 2009 after the close date)

Support Web Software E.U. (SW) (advertisement submitted on 12 August 2009 after the close date)

III. SUMMARY & ANALYSIS

Comments submitted to this public forum tended to address or be directed toward three main thematic areas

1. Appreciation for the enhanced reporting;
2. Concerns with the EAG methodology used; and
3. Areas where further enhancements can be made to EAG reporting.

1. The comments made on the first theme related appreciation for the enhanced reporting included:

- GD stated that they would like to thank ICANN for providing this analysis of projected expenditures in the FY10 budget, according to Expense Area Group (EAG). GD also mentioned that they are pleased that previously communicated concerns were given thoughtful consideration.
- ALAC stated that they commend the ICANN Board and financial management team on the greater transparency in its financial operations visible in the current FY budget and they look forward to further efforts of this kind to make ICANN's financial operations more transparent.
- RyC complimented the ICANN Staff for the EAG reporting document and the Board Finance Committee for their encouragement of that effort. RyC stated that the EAG reporting accomplishes the following critical objectives: It clearly shows reasonable estimates of ICANN expenditures provided to support each of ICANN's supporting organizations and advisory committees as well as other key expense area groups; It provides an objective financial measure of the services that ICANN provides in support of each key expense area group; It gives the data necessary to compare ICANN's sources of revenue from each group to the expenditures allocated for support of that group.
- RyC also stated that they "believe that for the first time key expense area groups can specifically quantify the services they are provided by ICANN in monetary terms. Judging by some of the preliminary feedback heard, it appears that some groups had little or no idea of all of the services provided to support their areas of interest, let alone the cost to do so. This is a fundamental prerequisite to full participation in the budget process by all ICANN interest groups."
- MP stated that the ICANN CFO and the ICANN Board finance committee should be complimented for release of this document, as it represents an important step toward increased transparency and accountability in connection with ICANN finances.
- AFNIC stated that they welcome the publication of ICANN's expense analysis as the publication itself is a significant step in increasing transparency.

2. The comments made on the second theme related to concerns with the EAG methodology used or other questions arising from the analysis of some EAG and associated expense allocations included:

- DA stated that the Fully Allocated Costing methodology described in this paper is fairly traditional, using as it does Direct, Indirect and Fixed & Common (called "Administrative" in the paper) costs. DA mentioned that although this can be useful as a management and budgeting tool, you can run into serious problems if its use is extended to form the basis of cost recovery. For example, with regard to the allocation of the cost of "IANA functions services", we need to know the total cost involved and how it is calculated, as well as the ratios that are used to distribute these costs. DA added that it is essential that the assumptions and formula are published and agreed by the parties involved.
- GD raised a concern regarding the disparity between gTLD and ccTLD revenues and related expenses. For example, GD stated contributions from gTLD organizations are subsidizing many of the expenditure outlays for

activities that exclusively benefit the ccTLD space. ICANN should continue to work with ccTLD registries, sponsors, and their representatives on the GAC, to bring ccTLD expenses in line with expected contributions.

- MP recommended the use of time sheets among ICANN staff to provide a much more detailed record to document for the Internet and ICANN community on how their money was being invested. MP added that the use of time sheets should also be used by ICANN's consultants and lobbyists.
- AFNIC stated that it is essential that ICANN engages with all parts of the community to ensure that the figures and accounting principles are appropriately understood. AFNIC believes improvements are needed to achieve this goal, especially related to costs that are often shared among several EAGs. To increase transparency and accountability in those estimates AFNIC stated that it is necessary to provide data on how those shares are calculated.

3. The comments made on the third theme related to areas where further enhancements can be made to EAG reporting included:

- GD stated that they appreciate that ICANN has been forthcoming in disclosing compensation information for key staff members, but requested to see additional transparency in this area, particularly in regard to incentive plans for employees and executives and how the progress of ongoing initiatives (e.g., new gTLDs and IDN adoption) affects staff compensation.
- GD also stated that given the significant expense involved with travel (staff and supported volunteers) and meeting logistics, they want ICANN to continue its examination of travel support policy and the planning of meetings and events.
- GD also stated that ICANN should provide additional details on its expenses related to government relations. Specifically, which individuals or agencies are being contacted and on which issues ICANN is offering consultations or opinions.
- ALAC recommended more direct links in reporting between budget allocations and actual expenditure, and the link between financing for initiatives and their outcomes.
- RyC recommends ICANN provide a table that compares revenue contribution amounts with percents and expense amounts with percents side by side for each EAG.
- LC stated that in order to inform community dialogue going forward, Nominet would also like to see: an analysis of ccNSO costs by functional area; a separation and presentation of core ccNSO costs, so that Nominet can review base line ongoing costs; and a separation and presentation of significant project costs.

IV. Next Steps

ICANN Staff has synthesized these comments, and will continue to provide more analyses and reporting both as part of the annual budgeting process and periodic reporting on financial results. In particular, ICANN staff will meet with the ccNSO working group to present the analyses of the “cc” section to show the functional parts of that section. Along with the functional reporting, the “EAG” reporting format will be evaluated to ascertain whether it’s format is an effective tool for reporting.

Thank you
Kevin Wilson
CFO
ICANN