



**KPMG LLP**  
757 Third Avenue  
New York, NY 10017

Telephone 212-909-5600  
Fax 212-909-5699  
Internet [www.us.kpmg.com](http://www.us.kpmg.com)

February 10, 2009

Ms. Wendy M. Payne  
Executive Director  
Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 6814  
Mailstop 6K17V  
Washington, DC 20548

Dear Ms. Payne:

We appreciate the opportunity to respond to the proposed Statement of Federal Financial Accounting Standards (SFFAS), *Reporting Comprehensive Long-Term Fiscal Projections for the U.S. Government* – the exposure draft issued by the Federal Accounting Standards Advisory Board (FASAB). While we understand the desire to develop standards in the federal financial reporting model that address financial condition (a forward-looking concept), we believe that FASAB should not proceed with the existing proposal.

We agree, in concept, that the proposal corresponds to the federal financial reporting sub-objective 3B described in Statement of Federal Financial Accounting Concepts (SFFAC) No. 1, *Objectives of Federal Financial Reporting*. However, we do not agree with the conclusion in the proposal to present such information as basic information<sup>1</sup> because it introduces elements into basic information that we do not believe meet the basic characteristic of reliability described in SFFAC No. 1.

SFFAC No. 1 states that “financial reporting should be reliable; this is, the information presented should be verifiable and free from bias and should faithfully represent what it purports to represent.” We are concerned about preparers’ ability to present reliable historical information and projected trends of receipts and spending that are free from bias for a progression of years beginning at least 20 years before the current year.

The U.S. Government has not compiled financial statements for 20 years; has been subjected to financial statement audits for fewer than 20 years; and has never obtained any opinion (e.g. unqualified, qualified, or adverse) on such financial statements (excluding the Statement of Social Insurance). Therefore, the ability of the preparers to assert that the 20-year historical information is fairly presented (that is materially complete, exists, and accurate) upon implementation, regardless of the proposed phased-in approach, is questionable.

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<sup>1</sup> Basic information is defined in SFFAC No. 6 as “information that is essential for financial statements and notes to be presented in conformity with generally accepted accounting principles.”



Furthermore, the ability of the preparers to assert that certain current information is fairly presented also is questionable considering the observations noted in the recent proposed SFFAS, *Estimating the Historical Cost of General Property, Plant, and Equipment*. In that proposed SFFAS, FASAB recognizes that some federal entities continue to experience difficulties compiling information for financial statement purposes due to inadequate internal controls and financial systems.

In addition to the concerns about reliability, we are concerned about the preparers' ability to present information that is free from bias. Setting aside the bias inherent in projecting current policy over a long period, the proposal for the preparers to disclose the likely impact of delaying action if a fiscal gap is indicated in the projections entails a high level of speculation and bias.

Because of the matters described above, we believe the costs to compile the proposed statement as basic information in a timely and reliable manner outweigh the benefits of such a presentation. Although FASAB may refer to the success with the preparation of the Statement of Social Insurance (SoSI), this proposal is much broader in scope than the SoSI, which is limited to very few programs and federal entities. Therefore, a great deal more data that is reliable will be needed both to present the proposed historical information and to use such information as the basis for the projections. We believe FASAB should consider proceeding with the information presented as other accompanying information, rather than basic or required supplementary information.

If you have questions about our response, please contact Mr. Terrill E. Menzel at 518-427-4607 or [tmenzel@kpmg.com](mailto:tmenzel@kpmg.com).

Very truly yours,

KPMG LLP