

Mr. Simms,

Here is the U.S. Postal Service Office of Inspector General's response to :The Hierarchy of Generally Accepted Accounting Principles for Federal Entities, Including the Application of Standards Issued by the Financial Accounting Standards Board.

Please let me know if you have any additional questions.

Thanks,
Agapi Doulaveris
Director, Communication
CIGIE Liaison
Office of Inspector General
U.S. Postal Service

**UNITED STATES POSTAL SERVICE
OFFICE OF INSPECTOR GENERAL**

**COMMENTS ON THE FEDERAL ACCOUNTING STANDARDS ADVISORY
BOARD EXPOSURE DRAFT ENTITLED *THE HIERARCHY OF GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES FOR FEDERAL ENTITIES,
INCLUDING THE APPLICATION OF STANDARDS ISSUED BY THE
FINANCIAL ACCOUNTING STANDARDS BOARD***

The Postal Service Office of Inspector General (OIG) appreciates the opportunity to comment on the Federal Accounting Standards Advisory Board's (the Board) exposure draft *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for Federal Entities, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

We reviewed the exposure draft and addressed selected questions in the document most relevant to the Postal Service. The questions are listed below, followed by our response.

Q2. This ED proposes to regard general purpose financial reports prepared in conformity with accounting standards issued by the Financial Accounting Standards Board (FASB) as being in conformity with GAAP for those federal entities that have in the past issued such reports (see paragraph 9). Do you agree or disagree with the Board's position? Please explain the reasons for your position in as much detail as possible. To help you in preparing your response, a listing of some of the entities that apply FASB standards as well as some of the areas where differences occur is included in Appendix C: Examples of Federal Entities that Apply FASB Standards.

We agree with the Board's position to regard general purpose financial reports prepared in conformity with accounting standards issued by the FASB as being in conformity with GAAP for those federal entities that have in the past issued such reports.

In the case of the Postal Service, it would not be reasonable to issue financial statements using standards other than those issued by the FASB. The Postal Service operates essentially like a business, with more earned revenue¹ than any other federal agency. In acting like a business, the standards issued by the FASB improve the usefulness of financial reporting by focusing on the primary characteristics of relevance and reliability and on the qualities of comparability and consistency. Accordingly, presenting financial statements using accounting

¹ Source: *The 2008 Financial Report of the United States Government*, Statements of Net Cost for the Years Ended September 30, 2008, and September 30, 2007.

standards issued by the FASB is consistent with the Postal Service's mission and better serves its needs as well as those of its stakeholders.

Also, the Postal Accountability and Enhancement Act, Public Law 109-435, requires all financial statements be prepared in accordance with Securities and Exchange Commission requirements, which mandate preparation in accordance with accounting standards issued by the FASB . Since other private sector firms use these standards, application of them by the Postal Service allows comparability with those firms. Furthermore, if required to use different standards to meet various reporting requirements, the Postal Service would be burdened with additional resource requirements and duplicative and unnecessary costs.

Lastly, a meeting was held several years ago that included Postal Service management, members of the Postal Service OIG, and Office of Management and Budget personnel. The attendees concluded there were no material differences in the Postal Service's financial reporting using accounting standards issued by the FASB and those issued by the Board. Since then, our annual research has not identified any changes to the situation.

The Postal Service has prepared financial statements in accordance with standards issued by the FASB for many years. The Board has considered those standards as being in conformity with GAAP. This arrangement has worked well for the Postal Service while continuing to meet the needs of the U.S. Government. We believe it should continue.

Q4. The Board has tentatively decided that no federal entities will be required to convert to FASAB standards for their stand-alone general purpose financial reports at this time; however, the Board is considering whether additional reporting may be required in order to meet the objectives of federal financial reporting (e.g., budgetary reporting, cost accounting, management's discussion and analysis). What FASAB reporting requirements are you aware of that would complement or enhance current reporting by federal entities following FASB standards (see paragraphs A8 through A12 of Appendix A: Basis for Conclusions)? Please explain the reasons for your position in as much detail as possible.

Please see our response to question Q2.

Q5. As noted in the previous question, the Board has tentatively decided that no federal entities will be required to convert to FASAB standards for their stand-alone general purpose financial reports at this time; however, the Board is considering whether information provided by these entities to a parent agency or the U.S. Department of the Treasury for the consolidated financial report of the U.S. Government (CFR) should conform with

accounting and reporting principles issued by the FASAB where there are material differences between the two sources (see paragraphs A13 through A15 of Appendix A: Basis for Conclusions). Do you agree or disagree that the information provided for consolidated financial reports should conform to FASAB accounting and reporting standards? Please explain the reasons for your position in as much detail as possible.

Please see our response to question Q2.

Q6. Do you have a current opinion on whether federal entities that report in conformance with FASB standards should be permitted to convert to International Financial Reporting Standards (IFRS), given the discussions regarding whether public companies should use IFRS (see paragraph A16 of Appendix A: Basis for Conclusions)? Please explain the reasons for your position in as much detail as possible.

Each federal entity is in the best position to determine the financial reporting that addresses its needs and those of its stakeholders. Accordingly, the Board should permit each federal entity that has previously reported using standards promulgated by the FASB to decide whether it should adopt IFRS. Allowing such reporting is especially important should the FASB require using IFRS. We recognize those entities will need to continue using standards permitted by the Board when preparing and submitting information for the federal government's annual report. Thus, each entity must weigh the costs and benefits of using IFRS.

However, if IFRS becomes generally accepted in the United States, the Board should consider whether its existing standards will continue to suffice. A variant of IFRS is the International Public Sector Accounting Standards (IPSAS). These standards are based on IFRS used in the private sector, but modified for the public sector. Various industrialized nations, such as Australia, Canada, France, New Zealand, the United Kingdom, and others, have or are planning to implement IPSAS. It is our understanding that IPSAS are not designed for government business enterprises, and the Board will have to take that into account in setting standards. Should IFRS be mandated, it would likely be in the best interest of the Postal Service to implement IFRS.