



Advancing
Government
Accountability

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February 2, 2009

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

Dear Ms. Payne:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB or the board) on its exposure draft (ED) of the proposed statement on *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

The FMSB, comprising 23 members with accounting and auditing backgrounds in federal, state and local government, academia and public accounting, reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are encouraged to comment separately.

The FMSB has the following responses to the questions posed in the exposure draft.

Q1. This Exposure Draft (ED) proposes to incorporate the hierarchy of generally accepted accounting principles (GAAP) that currently resides in the professional auditing literature into the FASAB's authoritative literature. Do you agree or disagree with the hierarchy presented in the Exposure Draft (see paragraphs 5-8)?

Yes, we agree with the hierarchy as proposed, apart from the following:

- We assume from this ED that no federal entities prepare financial statements in accordance with GASB standards. Is that correct?
- The hierarchy in paragraph 5 does not include "other accounting literature" as part of the hierarchy. However, paragraph 8 specifies "other accounting literature." What is the significance of paragraph 8 and its relevance to the ED? In other words, is "other accounting literature" part of the hierarchy?
- On the point above, we have always understood that FASB or GASB standards could be applied if there were no applicable FASAB standards. Is that not true? (Perhaps those standards are incorporated into AICPA Industry and Accounting Guides and AICPA Statements of Position -- which are level (b) or into AICPA Practice Bulletins -- level (c).)
- Components (such as revolving funds) of some agencies may prepare internal statements using FASB standards. We assume those statements are converted to FASAB based statements for inclusion in the parent agency's financial statements. Is that correct?



- Certain agencies that report on a FASB basis are required to submit a "closing package" to Treasury for the government-wide financial statement. Is that "closing package" sufficient to enable the agencies to prepare FASAB-based statements or does the "closing package" only cover a portion of the differences?

We ask that the board consider the comments and questions above when finalizing the guidance.

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?

We agree.

Q3. This ED proposes to clarify that a federal entity that is preparing GAAP-based financial statements for the first time is required to implement FASAB standards unless the entity clearly demonstrates that the needs of its primary users would be best met through the application of FASB standards (see paragraphs 10 and 11). Do you agree or disagree with the Board's position?

We agree.

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)?

We are not aware of any.

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 CFRs should conform to FASAB accounting and reporting standards?

We agree unless the costs to comply are "too high." We suggest that a cost-benefit analysis be done on the cost of compliance and the results exposed for public comment before any entities currently using FASB standards for their stand-alone general purpose financial reports are required to conform with accounting and reporting principles issued by the FASAB.

Q6. Do you have a current opinion on whether federal entities that report in conformance with Financial Accounting Standards Board (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)?

We believe that the prospective conversion by public companies to the use of standards created by the International Accounting Standards Board should be periodically monitored by the FASAB, and, at the appropriate time, the FASAB should make a conscious decision on whether entities of the Federal Government should be permitted to amend their reporting to conform with International Financial Reporting Standards, or should remain in conformance with what might remain in place as standards for non-public companies as may be continued under the auspices of the FASB.

We appreciate the opportunity to comment on this document and would be pleased to discuss this letter with you at your convenience. No member objected to its issuance. If you have questions concerning the letter, please contact Anna D. Gowans Miller, CPA, AGA's director of research and staff liaison for the FMSB, at amiller@agacgfm.org or 703.684.6931 ext. 313.

Sincerely,



Robert L. Childree, Chair,
AGA Financial Management Standards Board

cc: Samuel T. Mok, CGFM, CIA, CICA
AGA National President

**Association of Government Accountants
Financial Management Standards Board**

July 2008 – June 2009

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