

**UNITED STATES  
POSTAL SERVICE**

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February 4, 2009

Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mailstop 6K1 7V  
441 G Street, NW, Suite 6814  
Washington, DC 20548-0001

Dear Ms. Payne:

Thank you for the opportunity to comment on the Federal Accounting Standards Advisory Board (FASAB) 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 United States Postal Service has reported financial results in accordance with generally accepted accounting principles (GAAP) as applied to commercial entities, since 1971. We believe that commercial GAAP is appropriate for organizations, such as ours, that obtain the majority of their funding directly from customers by providing a product or service to individuals or companies outside the government. Further, we believe that unless a clearly-defined purpose, with a clearly favorable cost-benefit relationship exists, that supplemental FASAB reporting would not be a benefit to most users of our financial information.

Specific responses to the questions posed in the Exposure Draft are included on the attachment to this letter.



Lynn Malcolm

Attachment

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## Questions for Respondents

Please see the instructions presented in the body of the exposure draft at page 8. All responses are requested by February 2, 2009.

### Hierarchy of Generally Accepted Accounting Principles

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)? Please explain the reasons for your position in as much detail as possible.

Paragraph 5 - 8 are not applicable to USPS, because we apply commercial GAAP as promulgated by the FASB. However, we applaud your efforts to set common standards into authoritative FASAB. Just as the FASB is consolidating all authoritative literature under one new codification for commercial GAAP effective July 1, 2009, we believe it is a good thing for FASAB to move in a similar direction with their standards and rules.

### Application of Standards Issued by the Financial Accounting Standards Board

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.

The Postal Service agrees with the Board's position. As noted in paragraph 11 of the Exposure Draft, some federal entities operate more like a commercial enterprise than an appropriated government agency.. In these instances, it simply makes sense to use the accounting principles and practices that are most appropriate in the circumstances. In the case of the Postal Service, we have been issuing FASB GAAP financial statements for 36 years. Our internal and external stakeholders, including our regulator, might not be well-served by a conversion to a set of accounting standards with which they are not familiar.

Paragraph 9 of the Exposure Draft may need to\* be updated if/when the SEC mandates the use of IFRS for all filers.

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

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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?. Please explain the reasons for your position in as much detail as possible.

In general, we agree with the Board's conclusion that most federal entities would be best served by reporting in accordance with FASAB standards. We appreciate the Board's acknowledgement that the FASAB model is not appropriate for all entities and that some may be better served by applying FASB standards. The criteria outlined in paragraph 11 for using FASB statements appear reasonable and appropriate. Paragraph 11 also indicates that the first-time issuer must be able to clearly demonstrate that the needs of the primary users of the financial statements would be best met using commercial GAAP, rather than FASAB standards. It is not clear in the document who is responsible for determining whether this standard has been met. Since the factors outlined in the Exposure Draft are not in the form of requirements, it might be beneficial to new financial statement -preparers to have additional clarity on this issue.

### **Separate Project on Reporting By Federal Entities That Primarily Apply Standards Issued By the FASB**

The Board would greatly appreciate your responses to the following questions to aid in the Board's future deliberations on its companion project on reporting by federal entities that primarily apply standards issued by the FASB. Further information on this project may be found in paragraphs A7 through A16 of Appendix A: Basis for Conclusions and on the FASAB website at <http://www.fasab.gov/projectsqaap.html>.

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.

The Postal Service is not aware of any additional FASAB reporting requirements that would enhance our financial reporting. Due to the commercial nature of our operations, which are essentially fully-funded by postage rates, budgetary reporting is of little relevance. We already prepare MD&A in accordance with SEC guidelines. Any additional reporting requirements would place additional burden on financial statement preparers and potentially adversely impact the timeliness of reporting. Any additional reporting requirements should be subject to a stringent cost-benefit analysis.

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.

The Postal Service believes that it is impractical to require agencies that already report their financial statements in accordance with FASB standards to conform to FASAB for the purpose of consolidate financial reports. Such a proposal would impose a significant reporting burden on financial statement preparers, without a clearly defined benefit. Without a comprehensive analysis of each entities financial statements using both FASB and FASAB GAAP, it would be impossible to determine what differences between the two might be material. At a time of extremely constrained resources and increasing complexity of accounting rules, it would seem to be a questionable use of resources to require that agencies develop the expertise in two GAAPs required to make such a determination.

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 AI 6 of Appendix A: Basis for Conclusions)? Please explain the reasons for your position in as much detail as possible.

The Postal Service is required by law to comply with SEC reporting requirements.

*Thus, if the SEC should mandate a transition to IFRS, we would be required to* comply. In addition, if the law determines that IFRS is the best method of reporting, we believe IFRS should be the only method of reporting used since to do otherwise would only confuse the primary users of the financial statements. If the Postal Service were required to report under both US GAAP and IFRS, it would call into question which report is the better one and could also allow for manipulation of financial information if used incorrectly.