

#5

Dan Neeley

Non-Federal - Other

>>> "Dan Neeley" <dan.neeley@gmail.com> 12/14/2006 5:25 PM >>>

Dear Ms. Comes,

Please find attached my comments on "Preliminary Views - Accounting for Social Insurance, Revised." I appreciate this opportunity to voice my opinion on this important issue.

Sincerely,
Daniel J. Neeley

RE: PRELIMINARY VIEWS – ACCOUNTING FOR SOCIAL INSURANCE, REVISED

Dear Ms. Comes:

As a master's degree candidate in accounting aspiring to become a Certified Public Accountant, and as a young employee just beginning to pay into the social insurance systems, I am concerned about federal government reporting and federal program sustainability.

Since its inception, the Federal Accounting Standards Advisory Board has made significant strides to improve federal financial reporting standards. These standards and the resulting improved financial reports have increased accountability, effectiveness, and efficiency of the federal government. The Board must continue to improve the existing standards and promulgate additional standards to account for changing government programs and to meet the needs of users. The primary views on the proposed changes to the standard on accounting for social insurance best meet the needs of financial statement users and best account for the current state of social insurance programs. This view relies on accrual accounting, which is widely accepted as the best method for fairly presenting financial conditions and operations.

Q1 – Which obligating event do you believe creates a liability and expense that should be recognized?

The liability and expense for social insurance should be recognized when a person becomes fully insured as proposed in the primary view. There is merit in recognizing this liability as early as a person's first work in covered employment; however, before the person becomes fully insured, the uncertainty regarding future obligations is great. Many people do not work in covered employment long enough to become fully insured. The liability should be recognized when it is probable and estimable, like the standard for contingency losses in public companies. Estimates are inherent in this type of accounting. Ideally, it may be valuable to present something similar to a projected benefit obligation.

Q2 – Do you believe that the Social Security and Medicare obligations are measurable for purposes of recording a liability after 40 quarters or equivalent of work in covered employment as proposed in the Primary View?

Yes. An employee working in covered employment may request a statement of social security benefits long before they become “due and payable.” This statement estimates benefits the employee will receive at retirement based on covered employment to date. If these estimates can be made on an individual level, they can be made on an aggregate level. Future obligations for Medicare and other social insurance programs are also measurable using probabilities, estimates, and actuarial methods.

Q3.1 – Do you believe that the Primary View proposal to add line items to the SOSI that tie to revised expense and liability amounts reported on the statement of net cost and the balance sheet, respectively, should be adopted?

Yes. The federal government’s financial statements differ from statements with which most users are familiar. These line items to show the relationship between these statements would be very beneficial.

Q3.2 – Do you believe that the reasons for changes in SOSI amounts during the reporting period should be reported and, if so, do you favor such reporting (1) as proposed by the Primary View, (2) as proposed by the Alternative View, or (3) some other approach?

Reasons for changes in SOSI amounts should be reported to facilitate the complete disclosure necessary for accountable government. However, either of the proposed approaches is acceptable.

Q4 – Do you believe the [statement of fiscal sustainability] proposal should be adopted?

The statement of fiscal sustainability would certainly aide financial statement users when evaluating current government programs. This statement should probably be considered in the context of the larger sustainability project which is apparently on the Board’s agenda. The primary concern in this preliminary views statement is the accounting for social insurance in existing financial statements.

Q5 – Do you believe that the Board should consider recognizing deferred revenue for earmarked revenues in excess of related program costs?

No. Current standards on revenue recognition appropriately account for government revenue. The Board should use limited resources to determine appropriate standards for properly recognizing significant expenses and liabilities.

The primary views best meet financial information user needs and best account for social insurance programs. The Board should be commended for its united efforts to improve communication of financial information related to social insurance programs, which represent an ever increasing portion of federal spending.

Sincerely,

Daniel J. Neeley