JUN 27 2008

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

Dear Ms. Payne:

RE: Federal Accounting Standards Advisory Board Exposure Draft, *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information,* dated March 26, 2008

The Chief Financial Officers Council, Standardization Committee, FASAB Response Group appreciates the opportunity to comment on the Exposure Draft proposing amendment to Statement of Federal Financial Accounting Concepts 2, Entity and Display, and originating with FASAB's initial phase of the Financial Reporting Model project.

We express our support for the FASAB's guidance in considering how information should be categorized and believe that this statement will facilitate the understandability, consistency, and comparability of federal financial reporting by providing the conceptual framework needed to determine the display for emergent complex financial reporting issues.

We have attached to this document responses to the Board's request for comments to question Q1 (a), (b), and (c) as well as comments on other aspects of the proposed statement. We believe our comments will assist the Board in clarifying intent and enhancing readability of the statement.

Again, thank you for the opportunity to provide responses to the Exposure Draft. If you require any additional information, please contact me on (202) 208-4701.

Sincerely,

Daniel L. Fletcher
CFOC Standardization Committee
FASAB Response Group Representative

Attachment

Attachment

Chief Financial Officers Council
FASAB Exposure Draft, Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information, dated March 26, 2008
Questions for Respondents and Comments on Other Aspects of the Proposed Statement

Questions for Respondents

Q1. The Statement identifies a process and criteria to consider in deciding whether information should be considered basic information, required supplementary information or other accompanying information.

Question Q1(a).
Do you agree with the process presented? If not, please explain your reasons.

Response Q1(a).
Overall, we agree with the process presented.

Determining the difference between basic and required supplementary information rests solely with those parties that have the authority to establish GAAP and should be more clearly and definitively detailed. This fact becomes slightly obscured in the discussion within paragraph 73D and 73E where it references the factors to consider. This paragraph appears to recognize an individual's use of these factors to determine the differences between these information categories and permits the individual to use their personal judgment to dispute what information is presented. These subjective factors should not be exposed to interpretation by anyone outside the authoritative structure of standard setting. In fact, the "Factors to Consider in Distinguishing Basic Information from RSI" in Table 1 are written in such a way as to allow someone to judge what the board is thinking instead of clearly reserving the boards opinion related to these factors.

Question Q1(b).
Do you agree with the factors presented for distinguishing basic information from required supplementary information (See Table 1: Factors to Consider in Distinguishing Basic Information from RSI.)

Response Q1 (b).

I. Generally, the factors convey important thought processes that should be considered by any standard setting body. However, certain questions contain ambiguities that are difficult to understand and define. We are noting those individually in succeeding paragraphs.

   i. "Use of various types of financial data or financial transaction data"

      It is unclear what this factor really means. The ability to use financial data does not seem to have any relevance to the determination of presentation importance.

   ii. "Level of importance the Board wishes to be communicated in the financial report"

      Level of importance is very difficult to understand because the board would not have even considered an agenda item unless it was important to understanding the

financial statements. In addition, how does one convey importance in the basic or required supplementary information? Facts and other information are presented that will assist in understanding the data, not its importance.

This factor should be clear whether it is referring to the FASAB especially since an agency may have a "Board" that governs the entity.

iii. "Level of importance the Board wishes to be communicated in the auditor's report"

This factor does not seem relevant by itself, but is implicitly covered by the factor, "Level of importance the Board wishes to be communicated in the financial report." Information defined as basic for the financial report will get the highest audit attention, while RSI gets less, and Other Information gets the least. Accordingly, the Board needs only to determine how important the information is to the report and audit attention will follow. Information that is not deemed essential should not be made basic to get higher audit attention.

iv. "Extent to which the information interests a wide audience (rather than specialists)"

This factor is virtually impossible to ascertain or define. Reporting should always promote ease of understanding by non-specialists and any approach developed for specific technical audiences has no place in widely published government documents.

v. "Agreement on criteria that permit comparable and consistent reporting"

Although this is an admirable factor, it is very difficult to determine and develop while setting standards as many elements of standards are based upon judgment and estimates. These judgments and estimates have been practiced for many years and comparability and consistency have proven difficult in many of the existing standards especially when you consider the government-wide consolidated reports. In fact, this intent should be pursued aggressively in the technical agenda item related to reviewing all existing standards.

vi. "Experience among users, preparers and auditors with the information"

Experience varies among users and therefore, should not be considered when determining whether to include in RSI or basic information – the global pool of 'users' is too wide. Even experience among preparers and auditors varies and cannot be used as a basis of determining where the information should be included. Furthermore, this will only further deepen the schism between management and OIG communities due to the lack of objective ratings on these factors.

vii. "Extent to which the information is aggregated (lacking detail)"

This factor does not seem to fit the model of higher scores leading to basic information. The more (higher extent) that information is only available in

aggregate and not in detail, the least likely it would fit basic information. Suggest rewording as "Extent to which information is generally available in detail," where the better the availability of detail, the easier it would be to provide as basic information.

II. Other considerations related to Q1 (b). As noted in paragraph 73D, the factors presented carry no associated weighting to be used in the determination process; however, some factors would seem considerably more important to the determination than others. If determining factors are presented to assist the board, as well as others using these concepts, as **interpretive guidance** (emphasis added), we believe significance or ranking should be included with each factor. Without such weighting, each factor could appear to be potentially equal in significance to the determination process. Some of the items, while important to certain considerations, appear to carry very little relevance to the importance of information, which we believe should be the primary driver in this determination of basic versus RSI. Failure to provide any ranking perspective could lead to conflicting interpretations by users. It should be clear that just having a significant number of high or low scores would not imply that information should be basic versus RSI. To eliminate differences in opinion and to have a better understanding and consistent interpretation of each factor, further definitions and examples of applicability would be helpful for each the factors listed on the table.

Specifically, the factors starting with,"Extent to which there are not alternative sources...", and all of the factors listed below it in Table 1, should only be considered once most of the factors above them are ranked as having high or low importance, and not used as determining factors on their own in the basic versus RSI decision. Several of the factors in this lower section of Table 1 seem secondary in nature, and more relevant to implementation considerations (such as considerations of lead time needed to build reliable and accurate data, expertise/experience) rather than determining where such information ultimately belongs in financial presentations.

III. Table 1 does not clearly present how to apply or consider the criteria for distinguishing Basic Information from Required Supplementary Information. For example, if the individual considering the criteria specified in Table 1 is not a member of the Board, it is not clear how that individual (e.g. a financial statement preparer) would assess or gauge the Board's wishes to apply the criteria as for example, "Level of importance the Board wishes to be communicated in the financial report" and "Level of importance the Board wishes to be communicated in the auditor's report."

IV. The factors are vague or do not appear to add value in the process of making the determination to categorize the available information as either basic information or RSI. Such open interpretation poses a risk to the agencies since these factors could be determined to be of high significance based on the judgment of some and be of low significance (and therefore, be interpreted as belonging to the RSI section) to others.

This may leave the criteria to individual judgment as opposed to the actual intent of the Board. In addition, ultimately, the classification of information in the financial statements will have been balanced with the auditors' input on these subjective factors. This input may vary from the guidance issued by FASAB.

Question Q1(c).
Are there any additional factors that should be considered? If so, what are they, and how would you describe them?

Response Q1(c).
We do not see a clear and definite tie-in for this information with SFFAC 1 related to the objectives of Federal Financial Reporting such as it assists in the understanding of budget integrity, operating performance, stewardship, and systems and control.

Comments on Other Aspects of the Proposed Statement:

1. We recommend that Paragraph 73C of the ED be expanded to specifically include information the Board considers of significant importance for Federal presentation, but below the level of "essential." The current language in this paragraph addresses more of the implementation restrictions leading to RSI. Some information may be deemed less than essential, but should have a fit in the reporting hierarchy.

2. Request the FASAB use this ED as an opportunity to reevaluate the usefulness, importance, and relevance of the Statement of Financing in federal financial reporting. In paragraph 16 of this ED (referencing SFFAC 2, paragraph 74), the position in existing Standards requiring this information as basic information is reiterated. Our preference would be that the FASAB remove requirements for this statement altogether from its concepts document and associated standards. In accordance with the factors listed in Table 1 of the ED, we would suggest that the Statement of Financing should rank no higher than RSI from the perspective of importance, and is not essential to users of federal financial reports.

   The Statements of Financing models to-date are primarily reconciliations between the Statement of Budgetary Resources and Statement of Net Cost, with readers being required to have significant understanding of the nuances of each to glean meaningful information from the reconciliation. Attempts to develop alternative approaches and formats to disclose elements that may be more useful to readers have also been hampered by requirements of existing standards.

   Request the FASAB assess what information previously reported on the Statement of Financing has proved useful to readers, and develop as a part of their Financial Reporting Model project alternative reporting that may be of more use to broad audiences.

3. Suggestions to Improve Readability:

   i. Provide consistency in verbiage for paragraph 2 and paragraph 6 and 73D (Table 1) for "process and criteria", "criteria" and "factors", respectively. To explain, paragraph 2 states, "....amends SFFAC 2 to discuss a process and criteria to consider when deciding whether the information should be considered basic information, required supplementary information (RSI), or other accompanying information (OAI) whereas paragraph 6 states, "....and identifies criteria the Board considers in determining ....basic, required supplementary information (RSI), or other accompanying information (OAI)" and 73D states, "....Factors to consider in Distinguishing Basic information from RSI" (Required only - OAI not addressed).

ii. Revise and expand the Scope section on page 11 to identify which sections are revised, rescinded, or added in their entirety or add a summary of changes section.

For example, revise scope section 3 to include this Statement modifies SFFAC 2, paragraph 2,3,55,69,74,76,77,78,79, and 108 and footnote 14. This Statement rescinds paragraph 72 and 81 and footnotes 11, 12, and 17. Sections 73A through 73G and Table 1 were added under section 73. The Statement of Financing is added to paragraph 74. Footnote 12a added as paragraph 13.

iii. Include footnote 12a under paragraph 74 since statement of financing is included without footnote presented.

iv. Provide guidance for the Board's intended category of display for the four statements added to Paragraph 79, Financial Reporting for the Entire Government section. Specifically, for the statement of operations and changes in net position; reconciliation of net operating revenue (or cost) and unified budget surplus (or deficit); statement of changes in cash balance from unified budget and other activities; and comparison of budgeted and actual use of resources.

v. Amend Section 80 to replace "in Budget" with "in Federal Programs by Agency and Account" for usage as indicative criteria for a financial reporting entity.