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July 24, 2008

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

Dear Ms. Payne:

We appreciate the opportunity to respond to the proposed amendments to Concepts Statement 2, *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information* – the exposure draft (ED). We fully support the adoption of this ED to provide guidance about categorizing information in financial reports.

In the remainder of this letter we provide our responses to the questions posed in the ED and other comments.

### **ED Request for Comments and Our Response**

1. Do you agree with the process presented in the ED?

KPMG Response: We agree with the process presented in the ED, which begins with a decision about what should be required rather than the placement of information.

2. Do you agree with the factors presented in the ED for distinguishing basic information from required supplementary information?

KPMG Response: Overall, we agree with the factors presented in the ED. However, we believe the following factors should be clarified to identify the criteria for determining the “level of importance.”

- Level of importance the Board wishes to be communicated in the financial report
- Level of importance the Board wishes to be communicated in the auditor’s report

3. Are there additional factors that should be considered? If so, what are they, and how would you describe them?

KPMG Response: We believe the factors presented in the ED are sufficient; thus, we are not suggesting any additional factors.

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## Other Comments

### *Audit Focus as Categorization Driver*

We believe that the discussions in paragraphs 55 and 55A convey more importance on the auditing function than is evidenced in Table 1 (that is, the auditing function is 1 of 16 factors). Accordingly, we recommend the following changes (deleted text is ~~struck through~~) to the ED.

1. Delete paragraph 55.
2. Combine paragraphs 55A and 55B in the following manner: Move the first sentence in paragraph 55A to the beginning of paragraph 55B, and delete the remaining 6 sentences in paragraph 55A. [Refer to the *Editorial Suggestions* section below for further comments on paragraph 55B.]
3. Revise paragraph 73B to be "...The FASAB standards are the core of GAAP ~~and auditors may be engaged to express an opinion as to whether basic financial statements and notes are presented in conformity with those criteria.~~"

### *Amendments to Concepts Statement 2 – Not in ED*

We believe that footnote 20 (associated with paragraph 106) of the current Concepts Statement 2 should be amended to reflect the audit requirement change made by OMB since the original issuance of Concepts Statement 2. Accordingly, we recommend the following change (deleted text is ~~struck through~~) to footnote 20.

"The acceptance of a statement of program performance will increase in relation to the users' perception of the relevance and reliability of the reported information. These perceptions can be enhanced to the extent there are independent assessments of the appropriateness of the measures, the completeness of the data, the actual occurrence of the reported events, and the values assigned to the data. ~~Auditors of Federal agency financial statements are currently required (by an OMB Bulletin) to evaluate the underlying control structure for program performance measures included with the financial statements. The extent to which auditors will be expected to expand the scope of their involvement with program performance measures to include the aforementioned independent assessments would be specified by OMB consistent with government audit standards.~~"

### *Editorial Suggestions*

We recommend editorial changes (added text is underscored, deleted text is ~~struck through~~) to the following excerpts from the ED.

- Revise paragraph 55B to be "Classification of the information as basic, RSI, or OAI does not constrain the form of presentation. For example, financial ~~statements~~ information that is classified as basic may be presented ~~as basic financial statements, RSI, OAI in the form of a table using rows and columns.~~ Financial information presented as RSI or OAI may also be presented in such a format. However, the Board may ~~Information can be~~ required or encouraged preparers to be

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**display financial information** in ~~the form of a particular format~~ – narrative, graphic, or tables. To clearly communicate the intended status, the Board must specify whether the information is to be considered basic, RSI, or OAI...”

- Revise paragraph 79 to be “In addition to budgetary integrity, operating performance, and systems and control information, readers of the **Consolidated Financial Report of the U.S. Government**~~financial statements for the entire government~~ are likely to be concerned primarily with whether the government has been a proper steward...”

If you have questions about our response, please contact Mr. Terrill E. Menzel at 518-427-4607 or [tmenzel@kpmg.com](mailto:tmenzel@kpmg.com).

Very truly yours,

*KPMG LLP*