

**UNITED STATES POSTAL SERVICE  
OFFICE OF INSPECTOR GENERAL**

**COMMENTS ON THE DRAFT FEDERAL ACCOUNTING STANDARDS  
ADVISORY BOARD CONCEPTS STATEMENT EXPOSURE DRAFT  
ENTITLED *DISTINGUISHING BASIC INFORMATION, REQUIRED  
SUPPLEMENTARY INFORMATION, AND OTHER ACCOMPANYING  
INFORMATION***

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 (See the section, Distinguishing Basic Information, RSI, and OAI, beginning on page 13).

- a. Do you agree with the process presented? If not, please explain your reasons.
- The proposed Statement provides a general framework in determining whether financial information should be basic information, required supplemental information (RSI), or other accompanying information (OAI). This approach may be well suited to the needs of the Federal Accounting Standards Advisory Board (the Board).
  - The proposed paragraph 73A for Statement of Federal Financial Accounting Concepts (SFFAC) 2 says Required Information includes basic information and RSI. It also states information is a candidate for Required Information if it is consistent with the objectives of federal financial reporting and meets certain qualitative characteristics and cost-benefit considerations identified in SFFAC 1. Paragraph 73F (proposed) states if an item of information does not meet the criteria for Required Information, it becomes a candidate for Other Accompanying Information (OAI).
  - We agree with the criteria established in the referenced sections of SFFAC 1 and, generally, with the factors listed in Table 1: Factors to Consider in Distinguishing Basic Information from RSI. We also recognize the number of situations where individuals faced with the question of whether information is RSI or OAI could be endless, and thus, an open-ended explanation is needed.
  - Better direction for others, however, would be provided by using criteria that are more specific. The qualitative characteristics and cost-benefit considerations in the referenced sections of SFFAC 1 should serve as a foundation for the Board in establishing specific requirements for Required Information. The Board should go further in establishing specific requirements to distinguish basic information from RSI. We believe the

proposed approach allows too much latitude in preparing and reviewing financial information, potentially resulting in varying treatments of the same or similar information. Because the proposed Statement can be a source of information to financial statement preparers, auditors, and others, we feel it does not provide the user community with sufficiently precise guidance.

- The definitions of Required Information, basic information, RSI, and OAI in paragraphs 4 and 5 should provide greater specificity. For example, the definitions should identify what has been established as essential for financial statements and notes, and what information has been established as required to accompany basic information. By process of elimination, OAI would be any remaining information.
  - By providing more specific guidance in this proposed Statement, one could expect to see an increased likelihood of consistent treatment among various federal agencies' financial statements. In addition, auditors would have better guidance in determining the scope of their work.
  - We acknowledge the Board's statement in proposed paragraph 73D stating the framework is not to present a decision tree, hierarchy, or precise algorithm for classifying items. Yet, we believe users would be better served by establishing detailed guidance; the more specific, the better.
- 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)?
- As previously mentioned, we generally agree with the factors in Table 1 where a high rating implies information is basic and a low rating implies information is RSI. We are uncertain as to the Board's intent regarding some of the factors and additional clarification is suggested. Those factors include:
    - Level of importance the Board wishes to be communicated in the financial report. The Board should reference sources where it has communicated this preference.
    - Level of importance the Board wishes to be communicated in the auditor's report. The Board should reference sources where it has communicated this preference.
    - Extent to which there are not alternative sources of reliable information. Provide one or more examples.
    - Agreement on criteria that permit comparable and consistent reporting. Provide one or more examples.

- Experience among users, preparers, and auditors with the information. We are concerned that there might be instances of such experience but with inconsistent treatment.
- c. Are there additional factors that should be considered? If so, what are they, and how would you describe them?
  - We did not see any mention of the Financial Accounting Standards Board's Statement of Financial Accounting Concepts No. 5. That Statement includes a table providing some specifics for reporting basic information, RSI, and OAI. We suggest the Board consider enhancing this Statement by providing similar information.

**Other Comment:**

- Currently, the Financial Accounting Standards Board is codifying Generally Accepted Accounting Principles (GAAP) into a single source.<sup>1</sup> When completed, the document will flatten the GAAP hierarchy to provide an easier means to research and identify accounting standards. We suggest the Board consider codifying the federal government's accounting standards in a like manner.

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<sup>1</sup> *Journal of Accountancy*, May 2008.