

Ms. Payne

Thank you for the opportunity to respond to the exposure draft regarding a proposed Statement of Federal Financial Accounting Standards entitled *Accounting for Social Insurance, Revised*. For several years now we have been closely following the boards actions as it relates to Social Insurance. We look forward to the hearing on February 25, 2009. If you have any questions please call me on 410-965-9700.

Thank you
Steven L. Schaeffer
Assistant Inspector General for Audit
Office of Inspector General
Social Security Administration

Request for Comments on FASAB Exposure Draft: *Accounting for Social Insurance, Revised*, dated November 17, 2008

All responses are requested by *February 9, 2009*.

Questions for Respondents:

Q1. The Board proposes to require social insurance component entities and the government wide entity to discuss and analyze key measures from the basic financial statements in their management's discussion and analysis ("MD&A"). See paragraphs 26-30 in the proposed standard and paragraphs A75--A79 in the basis for conclusions.

Do you believe that key measures should be presented in the MD&A as described in this exposure draft?

Please provide the rationale for your answers.

The MD&A section should provide a brief high level discussion of the financial statement. Therefore, we believe that the last part of paragraph 26 which states that "The discussion should go beyond a mere description of existing conditions to include possible future effects.....of anticipated future events and trends. Where appropriate, the description ofanticipated factors should include quantitative forecasts or projections" should be removed. If readers would like more detailed information, it can be found in the financial statements and the accompanying notes.

We also have a concern that possible future events could be considered speculative in nature. If readers determine that part of the information is speculative, the remainder of the data would be discredited.

Q2. The Board is proposing to add a line for the **closed group measure** to the balance sheet below assets, liabilities, and net position and not included in the totals for these classifications.¹ See paragraphs 31--32 in the proposed standard and paragraphs A81--A100 in the basis for conclusions. Two members have submitted alternative views on this issue. See paragraphs A139--A142 in the basis for 3 conclusions for Mr. Patton's view. Mr. Patton and other members believe that a liability greater than the due and payable amount should be recognized on the balance sheet. See paragraph A144 in

¹ Definitions of certain terms are provided in the Definitions section and Appendix F: Glossary of this proposed standard.

the basis for conclusions for Mr. Werfel's view. Mr. Werfel and other members believe that the closed group measure should not be presented on the balance sheet.

**Do you believe that the balance sheet should present a line item for the closed group measure as described in this exposure draft?
Please provide the rationale for your answers.**

No. We agree with paragraph A144, that the commitment is a future event. Also, if deferred revenues of future taxes are not recorded, it is misleading to have future liabilities recorded on the balance sheet of a governmental entity based on the matching principle of accounting. Finally, the balance sheet is a historical measure as of a certain date.

Q3. The Board proposes to add a new summary section of the statement of social insurance ("SOSI") to present the closed and open group measures. See paragraphs 34--35 in the proposed standard and paragraphs A114--A116 in the basis for conclusions.

Do you believe that the SOSI should have a summary section as described in this exposure draft?

Please provide the rationale for your answers.

SSA already has a Statement of Social Insurance which presents the closed and open group measures in reader friendly terms. We do not object to the presentation of closed and open group measures in a summary section on the Consolidated Financial Statement.

Q4. The Board proposes a new basic financial statement entitled "statement of changes in social insurance amounts." The new statement would explain the changes during the reporting period in the present value amounts for the closed group measure included in the statement of social insurance. See paragraphs 36--37 in the proposed standard and paragraph A116 in the basis for conclusions. Mr. Werfel and other members have an alternative view. They believe the new statement should focus on changes in the open group measure and not the closed group measure. The question of the use of the appropriate measure is addressed in question 7 below. See paragraph A145 in the basis for conclusions.

Do you believe there should be a new basic financial statement explaining changes to the present value amount included in SOSI?

Please provide the rationale for your answers.

No. We believe that the significant changes can be explained in a short high level note to the Statement of Social Insurance. We believe that the average citizen wants to know when expenses are forecasted to exceed tax revenues, and when Social Security will not be able to fully fund benefits under current law if no changes are made.

Q5. The Board proposes to disclose an accrued benefit obligation in notes to the financial statements. This information would include a five year trend when the standard is fully implemented. See paragraph 38 in the proposed standard and paragraphs A117—A123 in the basis for conclusions. Mr. Werfel and other members have an alternative view expressing opposition to this disclosure. See paragraph A146 in the basis for conclusions.

**Do you believe that an accrued benefit obligation should be disclosed as described in this exposure draft?
Please provide the rationale for your answers.**

No. We concur with paragraph A146. We believe that adding more information to the SOSI information already contained in the FY 2008 SSA Performance Accountability Report would be too much information for the average citizen.

Q6. The Board considered but decided not to propose adding a line item to the statement of net cost (“SNC”) for the change during the reporting period in the closed group measure that would be presented below exchange revenue and expenses and not included in the totals for these classifications. Some argue that this measure should not be presented on the SNC because it is a fundamentally different measure. Others believe the change is an economic cost that belongs on the SNC, and that including this number at the bottom of the SNC appropriately links all basic financial statements. See paragraphs A101—A113 in the basis for conclusions.

Do you believe that the SNC should not include a line item for the change during the period in the closed group measure, which would be presented below exchange revenue and expenses and not included in the totals for these classifications?

Please provide the rationale for your answers.

We believe that the SNC should not include a line for the change during

the period. We believe that SOSI amounts are economic in nature, similar to fair market value of assets. If included in the SNC, we have a concern that this would result in the change be given greater weight than warranted.

Q7. The Board decided to present the **closed group measure** (CGM) (defined in paragraph 19) as a common thread among the proposed new reporting. The proposal requires that the CGM and other key measures from the financial statements be discussed in management's discussion and analysis; that the CGM be presented on the balance sheet below assets, liabilities and net position (without being included in the totals for those categories); and that the changes in the CGM during the reporting period be presented and explained in the new summary section of the statement of social insurance and the new statement of changes in social insurance. The Board considered the **open group measure** (defined in paragraph 24) instead of the closed group measure as the focus for the disclosure. This exposure draft discusses both the closed group measure and the open group measure throughout. Paragraphs A69—A74 provide the basic rationale for the Board's selection of the closed group measure. Mr. Werfel and other members have an alternative view regarding the presentation of the closed group measure. They oppose the addition of the closed group measure to the balance sheet. Further, they believe the open group measure is the appropriate measure to use in the new statement of changes in social insurance and not the closed group measure. See paragraph A145 in the basis for conclusions.

Do you agree with the Board's decision to feature the closed group measure?

Please provide the rationale for your answers.

We do not support the Board's decision to feature the closed group. We agree with Mr. Werfel and others that the open group is the better measure.

Q8. The Board is proposing to change the requirement currently in SFFAS 17 for specific sensitivity analysis. The standard will require the entity to provide sensitivity analysis of the closed and open group measures appropriate for its particular social insurance program but will not specify a particular approach for the analysis. See paragraphs 42--43 of the standard and paragraphs A125—A137 of the basis for conclusions.

Do you believe that a general requirement that allows flexibility in the sensitivity analysis presented will produce better information regarding the sensitivity of social insurance programs?

Please offer any comments that you wish to make on these provisions.

Yes, we believe that a general requirement allows for flexibility and will allow agencies to provide information specific to their mission. We would like to note that the FY 2008 SSA PAR contains 12 pages of sensitivity analysis which is fairly technical. Therefore, we have a concern that the average reader may be overwhelmed with the amount of additional information proposed.

Other Comments:

In our opinion, this proposed Standard duplicates the guidance contained in the recent Exposure Draft entitled *Reporting Comprehensive Long-Term Fiscal Projections for the U.S. Government*.