



August 3, 2009

Memorandum

To: Members of the Board

From: 
Julia E. Ranagan, Assistant Director

Through: 
Wendy M. Payne, Executive Director

Subj: Reporting by Federal Entities that Primarily Apply Standards Issued by FASB –
Tab C¹

OBJECTIVE

The purpose of this paper is to briefly update you on activities undertaken by staff on the project on reporting by federal entities that primarily apply standards issued by the Financial Accounting Standards Board (FASB), formerly referred to as the Appropriate Source of GAAP project.

BRIEFING MATERIAL

The following documents are attached to this transmittal memorandum:

- Attachment A* – Invitation to a Roundtable on Reporting by Federal Entities that Primarily Apply Standards Issued by FASB to be held September 9, 2009. This invitation was sent to the CFOs and OIGs of 28 federal entities that primarily apply standards issued by FASB as well as GAO, OMB, and Treasury. The purpose of the roundtable is to obtain feedback from the federal accounting and auditing community that can be used to help the board determine whether current reporting by these types of entities is meeting federal financial reporting objectives as well as user needs.
- Attachment B* – A copy of the “Request for Cost / Burden Information Survey” that was circulated to selected entities in spring 2007.² The purpose of this brief survey is to gather information on the expected benefits and perceived costs and burdens associated with various approaches to resolving any concerns regarding reporting by federal entities using different sources of generally accepted accounting principles (GAAP). Staff is asking all roundtable participants to either update their survey, if applicable, or complete one if not previously submitted. Staff plans to provide consolidated results to all of the participants 10 days in advance of the roundtable to facilitate discussions.

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

² Results of the previous survey are available online at http://www.fasab.gov/pdffiles/52007_issuepaper.pdf.

You may electronically access all of the briefing material at <http://www.fasab.gov/meeting.html>.

NEXT STEPS

September 2009

- Hold roundtable on reporting by federal entities that primarily apply standards issued by FASB.
- Summarize meeting and circulate minutes to participants for review.

October 2009 Meeting

- Present summarized results of roundtable to board members with recommendations for further research.

BACKGROUND

As reported in the August/September 2008 issue of *FASAB News*, the Appropriate Source of GAAP³ project was elevated to the number one priority by the board at its August 2008 agenda-setting session. At the October 2008 meeting, a proposed project plan was provided to the board that contained the following five objectives for the project:

- a. Address whether it is appropriate for those federal entities currently applying standards issued by the FASB to continue that practice (i.e., establish whether GAAP for a federal entity permits this practice and it is therefore generally accepted);
- b. Determine whether a newly created federal entity may apply FASB standards and, if so, under what conditions (i.e., establish criteria for new entities);
- c. Establish requirements necessary to ensure that the stand alone federal financial reports prepared pursuant to FASB standards meet federal financial reporting objectives;
- d. Provide guidance to address the case of a federal entity consolidating information from an entity (or entities) applying FASB standards with its own FASAB-based information [Note that this does not extend to providing guidance for eliminations. If needed, this can be addressed through implementation guidance or informal assistance.]; and,
- e. Consider any issues arising from possible transition to International Financial Reporting Standards (IFRS) by U.S. non-listed reporting entities (private companies and non-profits).

The first two objectives (a and b) were temporarily addressed in Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. The primary purpose of SFFAS 34, which was issued as final on July 28, 2009, is to incorporate the hierarchy for selecting the principles used in the preparation of general purpose financial reports by federal reporting entities set forth in the AICPA Statement on Auditing Standards

³ The “appropriate source of GAAP” is a shorthand reference. The AICPA established that FASAB is the source of GAAP for federal government entities (as defined in SFFAC 2).

(SAS) No. 91, *Federal GAAP Hierarchy*, into FASAB's authoritative literature. In addition, to avoid any sudden or dramatic changes in practice for federal entities, SFFAS 34 also explicitly permits those federal entities currently applying financial accounting and reporting standards issued by FASB to continue to do so while clarifying that a federal entity that is preparing GAAP-based general purpose financial reports for the first time is required to implement FASAB standards unless, in consultation with its auditors and bodies with oversight authority, the entity clearly demonstrates that the needs of its primary users would be best met through the application of FASB standards.

It is important to note that the board has emphasized that the GAAP exception for federal entities that currently apply financial accounting and reporting standards issued by FASB is temporary. The board is interested in determining whether this type of reporting is meeting federal financial reporting objectives as well as user needs.

Staff will continue to coordinate with the project managers for the Reporting Model and Federal Entity projects throughout the course of this project.

If you have any questions or comments or would like to provide feedback prior to the meeting, please contact me by telephone at 202-512-7377 or by e-mail at ranaganj@fasab.gov.

Attachments

[page intentionally left blank]

Attachment A –

**Invitation to a Roundtable on
Reporting by Federal Entities
that Primarily Apply
Standards Issued by FASB**

[page intentionally left blank]



RSVP by August 10, 2009

July 27, 2009

Memorandum

To: Federal Preparers and Auditors

From: *Wendy M. Payne*
Wendy M. Payne
FASAB Executive Director

Subject: Roundtable on Reporting by Federal Entities that Primarily Apply Standards Issued by the Financial Accounting Standards Board

The Federal Accounting Standards Advisory Board (FASAB or the board) is very interested in receiving input regarding the application of standards issued by the Financial Accounting Standards Board (FASB). To that end, I will be hosting a roundtable on reporting by federal entities that primarily apply FASB standards. The roundtable will be held on **Wednesday, September 9, 2009**, from **9 AM to 12 PM** in Room 7B16 of the Government Accountability Office Building, 441 G Street, NW, Washington DC, 20548. I hope you will participate in the roundtable or designate someone from your office to represent you.

As discussed in more detail below, the use of different sources of generally accepted accounting principles (GAAP) has been a controversial and difficult issue to resolve for some time now. The discussion at the roundtable will form the basis for staff's recommendations and options discussed by the board at its October 21 – 22, 2009, board meeting.

Since October 1999, the American Institute of Certified Public Accountants (AICPA) has recognized FASAB as the standards-setting body for federal governmental entities; therefore, the pronouncements resulting from the FASAB process represent GAAP for the entire federal government (FASAB GAAP). Nevertheless, some federal entities follow GAAP for nongovernmental entities promulgated by the private sector Financial Accounting Standards Board (FASB GAAP). For example, federal government corporations, the US Postal Service, certain component entities of the Department of Treasury, and some smaller entities in the executive and legislative branches have historically applied FASB GAAP and continue to do so.

The board initiated a project on the appropriate source of GAAP for these entities in January 2006 as a result of (1) the Board's October 2004 agenda-setting session, and

(2) subsequent consideration of comments on the July 2005 invitation to comment (ITC) on the four projects selected by the Board for consideration.

The primary drivers for undertaking this project were:

- To ensure that general purpose financial reports issued by federal entities are meeting the needs of its primary users;
- To respond to the AICPA’s recommendation that FASAB clarify its policy with regard to entities that have been following FASB standards; and,
- To address compilation issues occurring during the consolidation of the financial report of the U.S. Government as a result of federal entities using different sources of GAAP.

As reported in the August/September 2008 issue of *FASAB News*, the Appropriate Source of GAAP⁴ project was elevated to the number one priority by the board at its August 2008 agenda-setting session. At the October 2008 meeting, a proposed project plan was provided to the board that contained the following five objectives for the project:

- a. Address whether it is appropriate for those federal entities currently applying standards issued by the FASB to continue that practice (i.e., establish whether GAAP for a federal entity permits this practice and it is therefore generally accepted);
- b. Determine whether a newly created federal entity may apply FASB standards and, if so, under what conditions (i.e., establish criteria for new entities);
- c. Establish requirements necessary to ensure that the stand alone federal financial reports prepared pursuant to FASB standards meet federal financial reporting objectives;
- d. Provide guidance to address the case of a federal entity consolidating information from an entity (or entities) applying FASB standards with its own FASAB-based information [Note that this does not extend to providing guidance for eliminations. If needed, this can be addressed through implementation guidance or informal assistance.]; and,
- e. Consider any issues arising from possible transition to International Financial Reporting Standards (IFRS) by U.S. non-listed reporting entities (private companies and non-profits).

The first two objectives (a and b) were temporarily addressed in Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial*

⁴ The “appropriate source of GAAP” is a shorthand reference. The AICPA established that FASAB is the source of GAAP for federal government entities (as defined in SFFAC 2).

Accounting Standards Board. The primary purpose of SFFAS 34, which is expected to be issued as final on July 28, 2009, is to incorporate the hierarchy for selecting the principles used in the preparation of general purpose financial reports by federal reporting entities set forth in the AICPA Statement on Auditing Standards (SAS) No. 91, *Federal GAAP Hierarchy*, into FASAB's authoritative literature. In addition, to avoid any sudden or dramatic changes in practice for federal entities, SFFAS 34 also explicitly permits those federal entities currently applying financial accounting and reporting standards issued by FASB to continue to do so while clarifying that a federal entity that is preparing GAAP-based general purpose financial reports for the first time is required to implement FASAB standards unless, in consultation with its auditors and bodies with oversight authority, the entity clearly demonstrates that the needs of its primary users would be best met through the application of FASB standards.

It is important to note that the board has emphasized that the GAAP exception for federal entities that currently apply financial accounting and reporting standards issued by FASB is temporary. The board is interested in determining whether this type of reporting is meeting federal financial reporting objectives as well as user needs.

To help participants prepare for the roundtable, I have attached an agenda with some administrative information, a brief background of the project, and a list of questions to consider. Also, you may review a detailed history of the Appropriate Source of GAAP project on our website at <http://www.fasab.gov/projectsgaap.html>.

In addition, all confirmed participants in the roundtable will be asked to either update the "Request for Cost / Burden Information Survey" that was completed in Spring 2007, if applicable, or complete one if not previously submitted for your agency (completion of the survey is not required). This survey was developed and circulated by staff to gather information on the expected benefits and perceived costs and burdens associated with various approaches to resolving any concerns regarding the source of GAAP. The results of these surveys will be provided to the recipients for review at least 10 days prior to the roundtable to enhance discussions.

To facilitate your admission into the GAO building, **please RSVP to ranaganj@fasab.gov by August 10, 2009**, and include the name(s) of those who will be attending the roundtable. You will receive a reply confirming your attendance. Due to space constraints, please limit the number of people attending to two per reporting entity.

If you have any questions, please contact the project manager, Julia Ranagan, by telephone at 202-512-7377 or by email at ranaganj@fasab.gov. Thank you in advance for your interest and active participation.

Attachments:

- 1 – Agenda
- 2 – Administrative Information
- 3 – Project Background
- 4 – Examples of Federal Entities that Apply FASB Standards

[This page intentionally left blank.]

**Federal Accounting Standards Advisory Board
Roundtable on Reporting by Federal Entities that
Primarily Apply Standards Issued by FASB**

**Wednesday, September 9, 2009
441 G St NW – Room 7B16**

Agenda

Objective

The purpose of the roundtable will be to advance a meaningful dialogue on reporting by federal entities that primarily apply standards issued by the Financial Accounting Standards Board (FASB) so that future board deliberations will be comprehensively informed.

**OBJECTIVES OF FEDERAL
FINANCIAL REPORTING**

Budgetary Integrity – Federal financial reporting should assist in fulfilling the government’s duty to be publicly accountable for monies raised through taxes and other means and for their expenditure in accordance with the appropriations laws that establish the government’s budget for a particular fiscal year and related laws and regulations.

Operating Performance – Federal financial reporting should assist report users in evaluating the service efforts, costs, and accomplishments of the reporting entity; the manner in which these efforts and accomplishments have been financed; and the management of the entity’s assets and liabilities.

Stewardship – Federal financial reporting should assist report users in assessing the impact on the country of the government’s operations and investments for the period and how, as a result, the government’s and the nation’s financial conditions have changed and may change in the future.

Systems and Controls – Federal financial reporting should assist report users in understanding whether financial management systems and internal accounting and administrative controls are adequate to ensure that transactions are executed in accordance with budgetary and financial laws and other requirements, consistent with the purpose authorized, and are recorded in accordance with federal accounting standards; assets are properly safeguarded to deter fraud, waste, and abuse; and performance measurement information is adequately supported.

(Source: SFFAC 1)

9:00 – 9:05 Introductions and Overview of Project

9:05 – 10:30 Group Discussion

General Views on the Role of the Objectives of Federal Financial Reporting and User Needs

1. Statement of Federal Financial Accounting Concepts (SFFAC) 1 identifies the primary users of federal financial statements as (a) citizens, (b) Congress, (c) federal executives, and (d) federal program managers. These groups generally do not have the same focus as other user groups often identified with for-profit business financial statements such as financial institutions, bondholders, investors, banking trade groups, and customers. The perceived needs of these four primary federal financial statement users were used to develop the four objectives of federal financial reporting (see box inset left). What critical users or user needs do you believe are not specifically included in SFFAC 1?
2. Do you believe the four objectives of federal financial reporting (see box inset left) are appropriate for your reporting entity? Why or why not?
3. Should certain federal government activities have financial reporting objectives that differ from the rest of the federal government? Why or why not?

10:30 – 10:45 Break

10:45 – 11:45 Group Discussion

General Views on Current Reporting and Impact of Change

1. Do you believe your current reporting model meets the needs of your reporting entity's users discussed above? Why or why not?
2. Do you believe there are aspects of the federal reporting model (e.g., budgetary reporting and cost accounting) that could be incorporated into your entity's reporting model that would continue to meet your reporting entity's user needs while better achieving the objectives of federal financial reporting? Why or why not?
3. What are the primary barriers to providing additional information to better achieve the objectives of federal financial reporting (e.g., cost, lack of personnel resources, resistance to change)?

11:45 – 12:00 Wrap-Up

**Federal Accounting Standards Advisory Board
Roundtable on Reporting by Federal Entities that
Primarily Apply Standards Issued by FASB**

Wednesday, September 9, 2009

Administrative Information

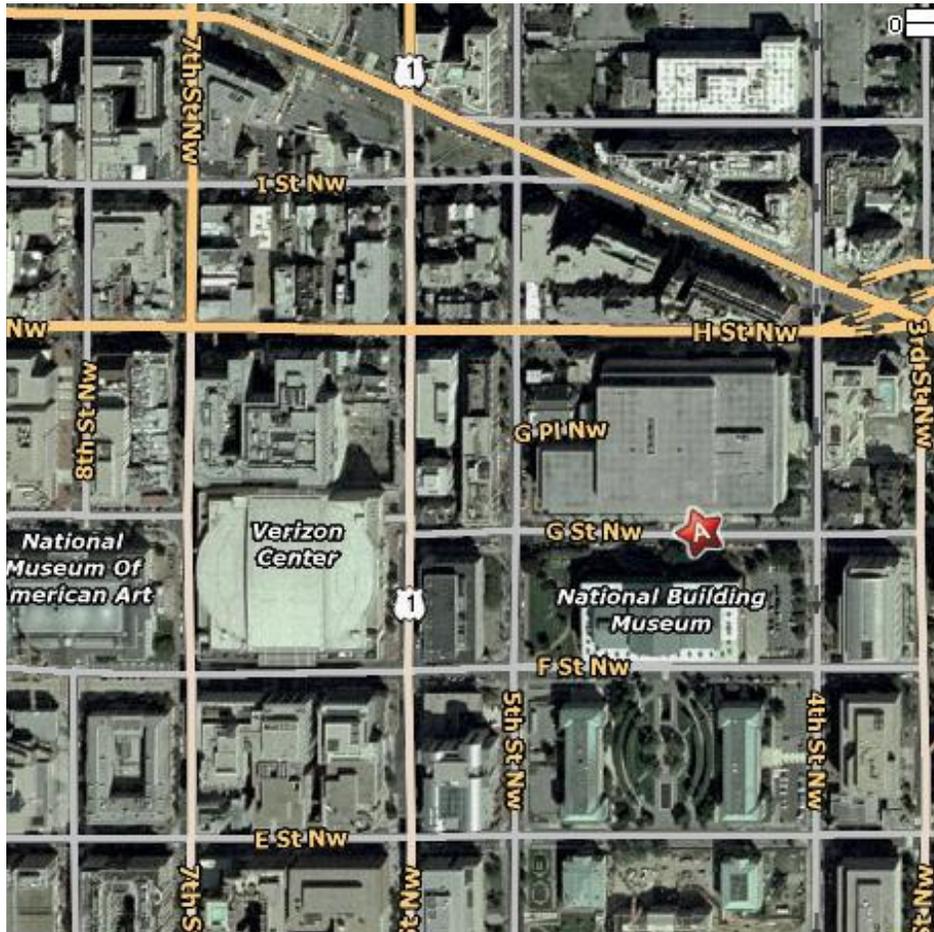
Roundtable Venue

Government Accountability Office (GAO)
441 G St NW
Washington DC 20548

Room 7B16 (7th Floor)

General Information

The meeting will begin promptly at 9:00 a.m. and conclude at 12:00 p.m. Participants are asked to arrive prior to 8:45 a.m. to process through GAO security. All visitors must enter through the G Street entrance (see star labeled “A” in map below). The GAO building is located near the Judiciary Square or Gallery Place metro stops.



[This page intentionally left blank.]

Federal Accounting Standards Advisory Board Project on Reporting by Federal Entities that Primarily Apply Standards Issued by FASB

Background on the Issue

What is the issue?

On October 19, 1999, the Council of the American Institute of Certified Public Accountants (AICPA) adopted an amendment to Rule 203 of the AICPA's Code of Professional Conduct. This amendment recognized accounting standards recommended by the FASAB as GAAP for federal financial reporting entities. Prior to Rule 203 designation, FASAB's guidance was considered to be an other comprehensive basis of accounting (OCBOA).

However, despite FASAB's designation as the standard-setting body for the federal government, some federal entities have continued to follow GAAP for non-governmental entities promulgated by the private sector Financial Accounting Standards Board (FASB GAAP). For example, federal government corporations,⁵ the US Postal Service, selected component entities of the Department of Treasury, and some smaller entities have historically applied FASB GAAP.

The AICPA has requested that FASAB clarify which entities from among the diverse entities currently applying FASB GAAP should be required to convert to FASAB standards in order to receive a GAAP opinion. Generally, the AICPA's objective is to ensure that like entities follow like accounting standards. The use of different sources of GAAP by some federal government corporations and other federal entities has resulted in inconsistent reporting and consolidation issues at some of the agencies. Furthermore, one of the criterion for Rule 203 designation is that "The body should have a unique constituency not served by another existing Rule 203 standard-setting body. Its standards should be generally accepted by its constituencies." The AICPA has suggested that FASAB resolve this issue by determining which standards federal entities should apply.

In addition to the AICPA's concerns, in 2004, then US Department of the Treasury Acting Inspector General requested that FASAB consider "requiring federal GAAP for the general purpose financial statements of federal entities, unless there is a statutory or regulatory requirement to report on a different basis of accounting."⁶

Furthermore, Department of the Treasury representatives have asked that the board address serious compilation issues that are occurring during the consolidation of the financial report of the U.S. Government as a result of federal entities using different sources of GAAP.

⁵ In late 1999, there were approximately two-dozen federal government corporations. Selected examples of federal government corporations are Commodity Credit Corporation, Corporation for National and Community Service, Government National Mortgage Association, and Tennessee Valley Authority.

⁶ Letter from Dennis S. Schindel, Acting Inspector General for the Department of Treasury, to Wendy Comes [Payne], dated April 20, 2004.

What are some of the reasons given by entities for continuing to follow FASB GAAP?

- The exemption provided by FASAB in the January – March 2000 issue of FASAB news (see Figure 1 on page 18). For example, Note 2, Significant Accounting Policies, in the Department of the Treasury’s Office of Thrift Supervision’s (OTS) 2004 financial statements states:

OTS has historically prepared its financial statements in accordance with generally accepted accounting principles based upon accounting standards issued by the Financial Accounting Standards Board (FASB), the private-sector standards setting body. In October 1999, the American Institute of Certified Public Accountants designated the Federal Accounting Standards Advisory Board (FASAB) as the standards-setting body for financial statements of federal government entities with respect to the establishment of generally accepted accounting principles. FASAB has indicated, however, that financial statements prepared based upon accounting standards published by the FASB may also be regarded as being in accordance with generally accepted accounting principles for those federal entities such as OTS that have issued financial statements based upon FASB accounting standards in the past. Accordingly, consistent with historical reporting, OTS financial statements are presented in accordance with accounting standards published by FASB.

- Government corporations have long referenced the Government Corporation Control Act (GCCA) as the basis for continuing to follow FASB GAAP for their financial statements, although the GCCA, as amended, does not explicitly require FASB GAAP.
- A change in the reporting model and significant accounting principles would result in a loss of historical and comparative reporting by the entity (see excerpt from OTS’ Note 2 above).
- Some of these entities are awaiting further guidance from FASAB before they make the switch to FASAB GAAP in case FASAB decides to recommend accounting standards for federal corporations that differ from either FASB standards or existing FASAB standards. For example, in the Corporation for National and Community Service’s (CNCS) fiscal year 2000 Management Letter, the private accounting firm hired by the Office of Inspector General (OIG) made the following recommendation:

Consider the recommendations made in a separate report issued to the Corporation on the applicability and advisability of reporting the Corporation’s financial operations in compliance with the requirements of OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements*.⁷ Federal entities, like the Corporation, which had been reporting under Financial Accounting Standards Board (FASB) accounting standards prior to Federal Accounting Standards Advisory Board (FASAB) recognition by the AICPA as an official standard setting body for federal agencies, have been permitted to continue to report under the FASB standards until the FASAB issues an official ruling on this matter. However, since the Corporation receives most of its funding from annual appropriations from Congress, reporting under the requirements of OMB Bulletin No. 97-01, as amended, may be a preferable and more meaningful reporting method for the users of the financial statements. (OIG Audit Report Number 01-02)

⁷ [Note: OMB Bulletin 97-01 is now incorporated into OMB Circular A-136.]

CNCS wrote the following in response:

As evidenced by the Corporation's financial statements and footnotes for fiscal 2000 and prior, the Corporation has integrated some of the requirements of OMB 97-01 where it was deemed meaningful to the reader of the financial statements (e.g., footnote disclosures by fund for certain areas such as Fund Balance with Treasury and Net Positions).

FASAB has recently been designated as the standard setting body for GAAP for federal entities. The Corporation does not plan to materially alter its financial statement presentation until FASAB and OMB establish official requirements for reporting by federal corporations, which may differ from current 97-01 reporting. However, the Corporation will continue to integrate 97-01 requirements if deemed to enhance reader understanding of the financial statements.

CNCS has continued to make enhancements to its financial statements, including the addition of a statement of budgetary resources, as required under the President's February 27, 2004, Executive Order on National and Community Service Programs. The OIG has not reissued a finding related to the format of CNCS' financial statements.

Existing Guidance on the Issue

What has FASAB had to say about the practice of continuing to follow FASB GAAP?

In early 2000, FASAB recognized this practice as acceptable for those entities that had been following FASB GAAP to avoid an immediate and unanticipated requirement that these federal entities follow federal GAAP after FASAB was recognized as the Rule 203 standard-setting body for the federal government. This guidance was published in the January – March 2000 issue of FASAB News (see excerpt from the newsletter in Figure 1 on the following page). This action was intended as a temporary measure in light of the unanticipated consequences of Rule 203 recognition. The existence of the issue has also been acknowledged in various sections of SFFAC 2, *Entity and Display*; Statement of Federal Financial Accounting Standards (SFFAS) 5, *Accounting for Liabilities of the Federal Government*; SFFAS 8, *Supplementary Stewardship Reporting*; and, SFFAS 24, *Selected Standards for the Consolidated Financial Report of the United States Government*.

SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, expected to be issued as final on July 28, 2009, incorporated this newsletter provision into the standards. However, the board has emphasized that the GAAP exception for federal entities that currently apply financial accounting and reporting standards issued by FASB is temporary. The board is interested in determining whether this type of reporting is meeting federal financial reporting objectives as well as user needs.

FASAB News

Issue 60, January – March 2000

Use Of FASB Standards by Federal Reporting Entities

Another issue raised by the AICPA's Rule 203 action is whether financial statements of Federal entities prepared in accordance with standards issued by the Financial Accounting Standards Board (FASB) may be considered prepared in accordance with GAAP. The Board has not deliberated that question and will not have time to do so before the fiscal year 1999 financial statements are issued. FASAB staff is providing this response as immediate guidance.

Question: May financial statements issued by Federal entities after October 19, 1999, and prepared in accordance with standards issued by FASB be considered prepared in accordance with generally accepted accounting principles for Federal entities, even in situations where material differences exist in amounts recognized or disclosed, or in the number, form, and content of required financial statements pursuant to FASB and FASAB standards?

Answer: The AICPA has designated FASAB as the source of GAAP for Federal entities. In general, therefore, any Federal entity financial statements prepared in accordance with principles that conflict with FASAB standards should not be regarded as being in accordance with GAAP. However, financial statements in accordance with accounting standards published by the FASB also may be regarded as in accordance with GAAP for those Federal entities that have in the past issued such financial statements.

Background: Federal financial reporting concepts and standards have recognized that certain Federal entities prepare financial statements in accordance with FASB standards. This practice developed before FASAB was established and has been widely recognized and prevalent in the Federal government. In SFFAC 2, *Entity and Display*, paragraph 78, and SFFAS 8, *Supplementary Stewardship Reporting*, paragraph 40, the Board speaks to this practice.

At its meeting on December 14, 1999, the Board did not object to the above response and expressed the view that further Board level action was not needed at this time.

Figure 1

What guidance has OMB provided on applicable accounting standards for the federal government?

OMB Circular A-134 (1993)

OMB Circular A-134, *Financial Accounting Principles and Standards*,⁸ dated May 20, 1993, establishes the policies and procedures for approving and publishing financial accounting principles and standards. However, the provisions of Circular A-134 only apply to Executive Branch departments and agencies; corporations that follow FASB GAAP and the legislative and judicial branches were purposely excluded from the scope of the Circular.

- 4.a. Executive agency ("agency") means any executive branch department, independent commission, board, bureau, office, agency, or other establishment of the Federal Government, including independent regulatory commissions and

⁸ Available online at <http://www.whitehouse.gov/omb/circulars/a134/a134.html>.

boards. **It does not include federally-owned or controlled corporations that are preparing financial statements in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board, or the legislative or judicial branches of the Federal Government.**
[emphasis added]

The Circular has not been updated since FASAB was designated as the GAAP standard-setter for the federal government (see Appendix D for the text of OMB Circular A-134). In response to a FASAB staff request about the status of the circular, OMB staff confirmed that it has not been superseded or revised (as of January 31, 2007). It is available on the OMB website at http://www.whitehouse.gov/omb/circulars_a134/.

Memorandum 96-05 (1995)

On December 8, 1995, then OMB Director Alice Rivlin issued Memorandum 96-05, titled “Government Corporations,” which stated:

“A government corporation should always be subject to Federal accounting standards. (If a corporation is in a transitional stage pending privatization, it can elect to **also** use standards of the Financial Accounting Standards Board.)”⁹ [emphasis added]

This memorandum is available on the OMB website at <http://www.whitehouse.gov/omb/assets/omb/memoranda/m96-05.pdf>.

OMB Circular A-136 (2009)

OMB Circular A-136, *Financial Reporting Requirements*,¹⁰ establishes a central point of reference for all federal financial reporting guidance for executive branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) under the Chief Financial Officers Act of 1990 (“CFO Act”, PL No. 101 – 576), the Accountability of Tax Dollars Act of 2002 (“ATDA”, PL No. 107 – 289), and Annual Management Reports under the Government Corporations Control Act (31 U.S.C. § 9101 et seq.).

Circular A-136 contains the following five major sections:

- I. General Information;
- II. Performance and Accountability Report;
- III. Summary of Performance and Financial Information;
- IV. Quarterly and Interim Financial Statements; and,
- V. Government-wide Financial Report.

Circular A-136 states, “Only Section I.5 Submission Deadlines applies to Government Corporations’ Annual Management Reports under the Government Corporations Control Act, except for any corporation that is required to register a class of its equity securities with the Securities and Exchange Commission (SEC). Government Corporations are strongly encouraged to prepare all sections of the PAR.” See Table 1 below for a summary of requirements.

⁹ M-96-05, Section IX.F.1.

¹⁰ Revision dated June 10, 2009; available online at http://www.whitehouse.gov/omb/financial_offm_circulars/.

Table 1

Entity	Submission Type	Applicable Sections in this Circular	Exceptions
CFO Act Agency	PAR, Interim Financial Statements	All	None
ATDA entity	PAR, Interim Financial Statements	I, II, III, IV, (V if listed in Appendix A)	None
Government Corporation	Annual Management Report	I.5 (accelerated due dates only), V (if listed in Appendix A) I, II, III, IV, V are strongly encouraged.	Corporations registering equity securities with SEC exempt from I.5 accelerated due dates.

The provisions of Part V of this Circular apply to each Executive Branch entity listed in Appendix A. Components of Executive Branch Agencies required by law to issue financial statements prepared in accordance with accounting standards other than those promulgated by the Federal Accounting Standards Advisory Board (FASAB) shall continue to comply with applicable standards. When the reporting entities, of which these components are a part, issue consolidated or consolidating statements that include such components, Generally Accepted Accounting Principles (GAAP) for Federal entities shall be applied to these components.

The following excerpt from Section I.5 of Circular A-136 is the section of the circular that is noted as applicable to all federal government corporations:

PARs, AFRs, and Annual Management Reports. Agencies and Government Corporations shall submit their Performance and Accountability Reports (PARs), Agency Financial Reports (AFRs), or Annual Management Reports (as described in the Government Corporations Control Act) to OMB and the Congress no later than 45 calendar days after the end of the fiscal year. (For those agencies or corporations with a September 30 fiscal year end, the due date is November 16.) This Circular makes this 45-day deadline a permanent annual requirement for all executive agencies and Government Corporations regardless of fiscal year. Agencies and Government Corporations shall submit a draft of the PAR, AFR, or Annual Management Reports to OMB’s Office of Federal Financial Management (OFFM) and the appropriate Resource Management Office (RMO) ten working days (November 2) before issuing the final PAR, AFR, or Annual Management Report. This draft should include all sections of the PAR, AFR, or Annual Management Report except the audit report if it is not available at that time. Agencies should provide the draft audit report to OMB as soon as it is available. The final report should be posted to the agency's website by November 16. If it is not compliant with Section 508 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794d) at this time, the agency must post the 508 compliant version of the final report to their website no later than November 30. The website location for the final report must be clearly identified on the homepage.

Government Corporations that present their financial statements in accordance with the Financial Accounting Standards Board (FASB) are also required to report information to the Treasury to support government-wide financial statements as specified in Section V of this Circular.

Any Government Corporation required to register a class of its equity securities with the SEC is excluded from the OMB accelerated due dates.

The following excerpt from Section V of OMB Circular A-136 is the section that is noted as applicable to entities listed in Appendix A of the circular:

The FR is prepared from Federal entities audited financial statements and trial balances in accordance with the U.S. GAAP promulgated by the FASAB. Entities required by law or policy to prepare and issue financial statements in accordance with accounting standards other than those recommended by FASAB should continue to do so. These reporting entities must identify, to Treasury, differences resulting from applying different accounting standards that could be material to the users of the reporting entity's financial statements. If these differences are material to the FR, the standards promulgated by FASAB should be applied to those material items and subsequently sent to Treasury for consolidation into the FR. The reporting entities also need to provide, to Treasury, any additional disclosures required by FASAB, and Treasury's TFM, that would not be required by other standards.

[This page intentionally left blank.]

Examples of Federal Entities that Apply FASB Standards

The following table contains examples of federal entities that apply FASB standards with a brief description of the entity and some of its characteristics. This list is not all-inclusive but attempts to capture all of the significant entities as well as other known examples. A list of areas where differences arise is included beneath the table.

The information contained in this appendix has been included to assist you in preparing for the roundtable discussion by providing a broad description of the general nature of the agencies that apply FASB standards. The information contained in this appendix is not intended to imply a future outcome of the board’s project on reporting by federal entities that primarily apply standards issued by the FASB and should not drive a current change in practice.

Examples of Federal Entities that Apply FASB Standards

Name of Entity	Description/Characteristics
<ul style="list-style-type: none"> ● Farm Credit System Insurance Corporation (FCSIC) ¹¹ <ul style="list-style-type: none"> – Insure the timely payment of principal and interest on System notes, bonds, and other obligations issued to investors. 	<ul style="list-style-type: none"> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties outside of the government</i> ● <i>Is intended to be self-sustaining</i> ● <i>Does not receive annual appropriations</i> ● <i>Is required to handle FASB-based receiverships</i> ● <i>Primary stakeholders are more familiar with FASB reporting (e.g., financial institutions)</i> ● <i>Primary business function is the provision of insurance</i>
<ul style="list-style-type: none"> ● Federal Deposit Insurance Corporation (FDIC) <ul style="list-style-type: none"> – Preserve and promote public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$100,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails. 	<ul style="list-style-type: none"> ● <i>Exempt from the Federal Credit Reform Act (P.L. 101-508 § 506, 2 U.S.C. § 661e)</i> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties outside of the government</i> ● <i>Is intended to be self-sustaining</i> ● <i>Does not receive annual appropriations</i> ● <i>Is required to handle FASB-based receiverships</i> ● <i>Primary stakeholders are more familiar with FASB reporting</i> ● <i>Primary business function is the provision of insurance</i>

¹¹ Entity names that appear in **bold** are considered to be significant entities for the consolidated financial report of the U.S. Government, per Treasury Financial Manual, Part 2, Chapter 4700. These entities are required to verify and submit a closing package to the U.S. Department of the Treasury and to provide CFO representations for federal intragovernmental activity and balances.

Attachment 4 – Examples of Federal Entities that Apply FASB Standards

Name of Entity	Description/Characteristics
<ul style="list-style-type: none"> ● National Credit Union Administration (NCUA) <ul style="list-style-type: none"> – Charter and supervise federal credit unions throughout the United States and its territories. – Insure member share deposits in all federal credit unions and in qualifying state credit unions that request insurance. 	<ul style="list-style-type: none"> ● <i>Exempt from the Federal Credit Reform Act (P.L. 101-508 § 506, 2 U.S.C. § 661e)</i> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages both in business-type and regulatory-type activities with parties outside of the government</i> ● <i>Is intended to be self-sustaining</i> ● <i>Does not receive annual appropriations with one immaterial exception</i> ● <i>Primary stakeholders are more familiar with FASB reporting (e.g., financial institutions)</i> ● <i>Primary business functions are the provision of insurance to and oversight of national credit unions</i>
<ul style="list-style-type: none"> ● Pension Benefit Guaranty Corporation (PBGC) <ul style="list-style-type: none"> – Insure the pension benefits, within statutory limits, of workers and retirees in private defined benefit pension plans. – Safeguard the federal pension insurance system for the benefit of participants, plan sponsors, and other stakeholders. 	<ul style="list-style-type: none"> ● <i>Exempt from the Federal Credit Reform Act (P.L. 101-508 § 506, 2 U.S.C. § 661e)</i> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties outside of the government</i> ● <i>Is intended to be self-sustaining</i> ● <i>Does not receive annual appropriations</i> ● <i>Primary stakeholders are more familiar with FASB reporting</i> ● <i>Primary business function is the provision of insurance</i>
<ul style="list-style-type: none"> ● Smithsonian Institution (SI) <ul style="list-style-type: none"> – Operate as a museum and an education and research complex consisting of 17 museums and galleries, the National Zoological Park, and other research facilities. 	<ul style="list-style-type: none"> ● <i>Primary source of revenue is federal appropriations (over 70% in 2006 and 2007); remainder of revenue is received in contributions and income from its business activities, which include Smithsonian magazines and other publications, a mail-order catalog, museum shops and food services,</i> ● <i>Operates similar to a non-profit organization</i> ● <i>Some of the stakeholders are more familiar with FASB reporting (e.g., bondholders and donors)</i> ● <i>Primary business function is the operation of a museum and an education and research complex</i>
<ul style="list-style-type: none"> ● Tennessee Valley Authority (TVA) <ul style="list-style-type: none"> – Develop and operate the Tennessee River system to improve navigation, minimize flood damage, and provide energy and related products and services safely, reliably, and at the lowest feasible cost to residents and businesses in the multi-state Tennessee Valley region. – Operate one of the largest electric power systems in the U.S. 	<ul style="list-style-type: none"> ● <i>Mandated to follow the Federal Energy Regulatory Commission’s Uniform System of Accounts</i> ● <i>Required to file with the Securities and Exchange Commission</i> ● <i>Exempt from the Federal Credit Reform Act (P.L. 101-508 § 506, 2 U.S.C. § 661e)</i> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties outside of the government</i> ● <i>Intended to be self-sustaining</i> ● <i>Does not receive annual appropriations</i> ● <i>Issues a variety of debt securities</i>

Attachment 4 – Examples of Federal Entities that Apply FASB Standards

Name of Entity	Description/Characteristics
	<ul style="list-style-type: none"> ● <i>Primary stakeholders are more familiar with FASB reporting (e.g., bondholders and customers)</i> ● <i>Primary business function is the provision of wholesale electric power</i>
<ul style="list-style-type: none"> ● United States Postal Service (USPS) <ul style="list-style-type: none"> – Provide mail processing and delivery services to individuals and businesses within the United States 	<ul style="list-style-type: none"> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties outside of the government</i> ● <i>Is intended to be self-sustaining</i> ● <i>Does not receive annual appropriations with one immaterial exception</i> ● <i>Primary stakeholders are more familiar with FASB reporting (e.g., customers)</i> ● <i>Primary business function is mail processing and delivery services</i>
<ul style="list-style-type: none"> ● Appalachian Regional Commission (ARC)¹² <ul style="list-style-type: none"> – Be a strategic partner and advocate for sustainable community and economic development in Appalachia. 	<ul style="list-style-type: none"> ● <i>Primary source of revenue is federal appropriations</i> ● <i>Is not intended to be self-sustaining</i> ● <i>Primary business function is the provision of area development grants</i>
<ul style="list-style-type: none"> ● Corporation for National and Community Service (CNCS) <ul style="list-style-type: none"> – Improve lives, strengthen communities, and foster civic engagement through service and volunteering. 	<ul style="list-style-type: none"> ● <i>Primary source of revenue is federal appropriations</i> ● <i>Is not intended to be self-sustaining</i> ● <i>Primary business function is the provision of grants and member service awards</i>
<ul style="list-style-type: none"> ● Department of the Treasury Exchange Stabilization Fund <ul style="list-style-type: none"> – Stabilize the exchange value of the dollar. 	<ul style="list-style-type: none"> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties outside of the government</i> ● <i>Intended to be self-sustaining</i> ● <i>Does not receive annual appropriations</i> ● <i>Primary stakeholders are more familiar with FASB reporting (e.g., bondholders and customers)</i> ● <i>Primary business function is to use its capital to deal in gold and foreign exchange in order to stabilize the exchange value of the dollar</i>
<ul style="list-style-type: none"> ● Department of the Treasury Community Development Financial Institutions Fund (CDFI) <ul style="list-style-type: none"> – Expand the capacity of financial 	<ul style="list-style-type: none"> ● <i>Primary source of revenue is federal appropriations</i> ● <i>Is not intended to be self-sustaining</i> ● <i>Primary business function is the provision of grants and loans</i>

¹² Entity names that do not appear in **bold** are not considered to be significant entities for the consolidated financial report of the U.S. Government, per Treasury Financial Manual, Part 2, Chapter 4700. These entities are not required to verify and submit a closing package to the U.S. Department of the Treasury or provide CFO representations for federal intragovernmental activity and balances, but would be included in the closing package of a larger federal entity (e.g., the U.S. Department of the Treasury).

Attachment 4 – Examples of Federal Entities that Apply FASB Standards

Name of Entity	Description/Characteristics
<p>institutions to provide credit, capital, and financial services to underserved populations and communities in the U.S.</p>	
<ul style="list-style-type: none"> ● Department of the Treasury Federal Financing Bank <ul style="list-style-type: none"> – Reduce the costs of federal and federally assisted borrowing, coordinate such borrowings with the Government’s overall fiscal policy, and ensure that such borrowings are done in ways that least disrupt private markets. 	<ul style="list-style-type: none"> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties inside of the government</i> ● <i>Intended to be self-sustaining</i> ● <i>Does not receive annual appropriations</i> ● <i>Primary business function is the administration of loans</i>
<ul style="list-style-type: none"> ● Department of the Treasury Bureau of Engraving and Printing <ul style="list-style-type: none"> – Design and manufacture high quality security documents that deter counterfeiting and meet customer requirements for quality, quantity and performance. The BEP designs, prints, and furnishes a large variety of security documents, including Federal Reserve Notes, identification cards, naturalization certificates, and other special security documents. 	<ul style="list-style-type: none"> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties outside of the government</i> ● <i>Intended to be self-sustaining</i> ● <i>Does not receive annual appropriations</i> ● <i>Primary business function is the design and production of U.S. currency</i>
<ul style="list-style-type: none"> ● Department of the Treasury Office of Thrift Supervision <ul style="list-style-type: none"> – Supervise savings associations and their holding companies in order to maintain their safety and soundness and compliance with consumer laws, and to encourage a competitive industry that meets America’s financial services needs. 	<ul style="list-style-type: none"> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties outside of the government</i> ● <i>Intended to be self-sustaining</i> ● <i>Does not receive annual appropriations</i> ● <i>Primary business function is to regulate all federal and many state-chartered thrift institutions, which include savings banks and savings and loan associations</i>
<ul style="list-style-type: none"> ● Department of Housing and Urban Development Government National Mortgage Association (Ginnie Mae) ● Help to expand the supply of affordable housing in the U.S. by providing a government-guaranteed vehicle—the mortgage-backed security (MBS)—to link capital markets to housing markets. The Ginnie Mae guarantee of the MBS enables mortgage lenders to obtain a better price for their mortgage loans in the secondary market. The lenders can then use the proceeds to make new mortgage loans. 	<ul style="list-style-type: none"> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties outside of the government</i> ● <i>Intended to be self-sustaining</i> ● <i>Does not receive annual appropriations</i> ● <i>Primary business function is to guarantee investors the timely payment of principal and interest on securities backed by federally insured or guaranteed loans</i>

Attachment 4 – Examples of Federal Entities that Apply FASB Standards

Name of Entity	Description/Characteristics
<ul style="list-style-type: none"> ● Federal Financial Institutions Examination Council <ul style="list-style-type: none"> – Prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS), and to make recommendations to promote uniformity in the supervision of financial institutions. 	<ul style="list-style-type: none"> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties inside of the government</i> ● <i>Intended to be self-sustaining</i> ● <i>Does not receive annual appropriations</i> ● <i>Primary business function is to prescribe uniform principles and standards for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of these financial institutions</i>
<ul style="list-style-type: none"> ● Federal Financial Institutions Examination Council Appraisal Subcommittee <ul style="list-style-type: none"> – Ensure that real estate appraisers, who perform appraisals in real estate transactions that could expose the United States government to financial loss, are sufficiently trained and tested to assure competency and independent judgment according to uniform high professional standards and ethics. 	<ul style="list-style-type: none"> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties inside of the government</i> ● <i>Intended to be self-sustaining</i> ● <i>Does not receive annual appropriations</i> ● <i>Primary business function is to monitor the appraiser certification and licensing programs of the States</i>
<ul style="list-style-type: none"> ● Federal Prison Industries, Inc. (Unicor) <ul style="list-style-type: none"> – Employ and provide job skills training to the greatest practical number of inmates confined within the Federal Bureau of Prisons; contribute to the safety and security of the nation’s federal correctional facilities by keeping inmates constructively occupied; produce market-quality goods for sale to the federal government; operate in a self-sustaining matter; and minimize FPI’s impact on private business and labor. 	<ul style="list-style-type: none"> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties inside of the government</i> ● <i>Intended to be self-sustaining</i> ● <i>Does not receive annual appropriations</i> ● <i>Primary business function is to sell products and services to other federal departments, agencies and bureaus</i>
<ul style="list-style-type: none"> ● National Credit Union Administration Central Liquidity Facility <ul style="list-style-type: none"> – Improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls. 	<ul style="list-style-type: none"> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties outside of the government</i> ● <i>Intended to be self-sustaining</i> ● <i>Does not receive annual appropriations</i> ● <i>Primary business function is the provision of loans</i>

Attachment 4 – Examples of Federal Entities that Apply FASB Standards

Name of Entity	Description/Characteristics
<ul style="list-style-type: none"> ● Overseas Private Investment Corporation (OPIC) <ul style="list-style-type: none"> – Mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from nonmarket to market economies. 	<ul style="list-style-type: none"> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties outside of the government</i> ● <i>Intended to be self-sustaining</i> ● <i>Does not receive annual appropriations</i> ● <i>Primary business function is the provision of political risk insurance, investment guaranties, and direct loans</i>
<ul style="list-style-type: none"> ● Saint Lawrence Seaway Development Corporation (DOT) <ul style="list-style-type: none"> – Serve the marine transportation industries by providing a safe, secure, reliable, efficient and competitive deep draft international waterway, in cooperation with the Canadian St. Lawrence Seaway Management Corporation. 	<ul style="list-style-type: none"> ● <i>Primary source of revenue is federal appropriations</i> ● <i>Is not intended to be self-sustaining</i> ● <i>Primary business function is the development, seasonal operation, and maintenance of the portion of the St. Lawrence Seaway between Montreal and Lake Erie, and within the territorial limits of the U.S.</i>
<ul style="list-style-type: none"> ● U.S. Holocaust Memorial Museum <ul style="list-style-type: none"> – Advance and disseminate knowledge about the Holocaust; preserve the memory of those who suffered; and encourage its visitors to reflect upon the moral and spiritual questions raised by the events of the Holocaust as well as their own responsibilities as citizens of a democracy. 	<ul style="list-style-type: none"> ● <i>Primary source of revenue is federal appropriations, but the museum receives nearly as much in contributions, membership, and other revenue</i> ● <i>Is not intended to be self-sustaining</i> ● <i>Primary business function is the operation of a museum</i>
<ul style="list-style-type: none"> ● U.S. Government Printing Office (GPO) <ul style="list-style-type: none"> – Make government information available to the public. 	<ul style="list-style-type: none"> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties inside of the government</i> ● <i>GPO's revolving fund is Intended to be self-sustaining; its general fund is not self-sustaining</i> ● <i>GPO's revolving fund does not receive annual appropriations; it is supported by user fees</i> ● <i>GPO's general fund is financed by two annual Congressional appropriations to the agency. These appropriated funds finance the cost of GPO's support of the Congress and the government information dissemination services provided to the public without charge to the recipients</i> ● <i>Primary business function is the provision of printing and reproduction services</i>
<ul style="list-style-type: none"> ● U.S. House of Representatives <ul style="list-style-type: none"> – Carry out the lawmaking powers granted to it by the U.S. Constitution as one of two separate legislative chambers that 	<ul style="list-style-type: none"> ● <i>Primary source of revenue is federal appropriations</i> ● <i>Is not intended to be self-sustaining</i> ● <i>Primary business function is the passage of laws</i>

Attachment 4 – Examples of Federal Entities that Apply FASB Standards

Name of Entity	Description/Characteristics
<p>comprise the Congress of the United States.</p>	
<ul style="list-style-type: none"> ● U.S. Senate Restaurants Revolving Fund <ul style="list-style-type: none"> – Operate restaurants for senators, employees of the Senate, and (in certain locations) the general public. 	<p>NOTE: Congress voted to privatize Senate Restaurants per public law 110-279</p> <ul style="list-style-type: none"> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Engages primarily in business-type activities with parties inside of the government</i> ● <i>Intended to be self-sustaining but has only turned a profit in 7 of 44 years</i> ● <i>Receives appropriation transfers from the Architect of the Capitol and U.S. Senate</i> ● <i>Primary business function is the operation of restaurants for senators, employees of the Senate, and (in certain locations) the general public</i>
<ul style="list-style-type: none"> ● Capitol Preservation Fund <ul style="list-style-type: none"> – Provide for improvements in, preservation of, and acquisitions (including works of fine art and other property for display) for the United States Capitol and other locations under the control of the Congress. 	<ul style="list-style-type: none"> ● <i>Its primary activities are similar to those of a private business enterprise</i> ● <i>Does not receive annual appropriations; the fund's operations are financed by proceeds from commemorative coin surcharges</i> ● <i>Primary business function is the oversight of improvements to the U.S. Capitol and other locations under the control of Congress</i>

Differences between FASAB and FASB Accounting and Reporting

Accounting and reporting is not always consistent between federal entities that apply accounting standards promulgated by FASB. However, the following list includes some of the areas where differences have been noted between FASAB and FASB accounting and reporting:

- SFFAS 1, *Accounting for Selected Assets and Liabilities*:
 - Valuation of Investments in Treasury Securities, paragraphs 68-70;
- SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*, as amended by SFFAS 18 and 19:
 - Valuation of liability for guarantees of principal and interest payments on loans between a non-federal lender and a non-federal borrower;
- SFFAS 3, *Accounting for Inventory and Related Property*:
 - Inventory Valuation, paragraph 20;
- SFFAS 4, *Managerial Cost Accounting Standards and Concepts*:
 - General Requirement for Cost Accounting, paragraphs 67-76;
 - Inter-entity Costs, paragraphs 108 and 109;
- SFFAS 5, *Accounting for Liabilities of the Federal Government*:
 - Recognition of Nonexchange Transactions, paragraph 24;
 - Accounting and Reporting for Pensions, Other Retirement Benefits, And Other Postemployment Benefits, paragraphs 56-96;

- SFFAS 6, *Accounting for Property, Plant, and Equipment (PP&E)*:
 - Valuation of Transferred PP&E, paragraph 31;
- SFFAS 7, *Accounting for Revenue and Other Financing Sources*:
 - Financing Imputed for Cost Subsidies, paragraph 73;
 - Budgetary Reporting, paragraphs 77-82;
- SFFAS 15, *Management's Discussions and Analysis*:
 - not addressed; and
- SFFAC 2, *Entity and Display*:
 - not addressed.

The following are some of the areas that are reported by federal entities applying FASB standards but are not addressed by FASAB standards. Since these areas are not currently addressed by FASAB, the hierarchy of accounting principles for federal entities would most likely permit the application of accounting and reporting standards issued by FASB in these areas:

- FASB SFAS 71, *Accounting for the Effects of Certain Types of Regulation*;
- FASB SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities* (regarding available-for-sale securities);
- FASB SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*;
- FASB SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FASAB has recently initiated a joint project on asset impairment and deferred maintenance); and,
- FASB SFAS 143, *Accounting for Asset Retirement Obligations*.

This list is not exhaustive and will be further researched as part of the board's project on reporting by federal entities that primarily apply standards issued by the FASB.

Attachment B –

Request for Cost /
Burden Information Survey

[page intentionally left blank]



This survey was circulated to selected entities in spring 2007. We are asking that entities either update their survey, if applicable, or complete one if not previously submitted. We plan to provide consolidated results 10 days in advance of the roundtable to facilitate discussions. Completion of the survey is voluntary but would be very helpful to the discussions.

Federal Accounting Standards Advisory Board

Responses Requested by April 20, 2007

March 28, 2007

Memorandum

To: Chief Financial Officers and Inspectors General of the following selected entities:

*Community Development Financial Institution
Corporation for National and Community Service
Federal Deposit Insurance Corporation
Federal Prison Industries (Unicor)
Government National Mortgage Association (Ginnie Mae)
Millennium Challenge Corporation
Office of Thrift Supervision
Pension Benefit Guaranty Corporation
Tennessee Valley Authority
U.S. Treasury*

From: Wendy M. Comes [Payne], Executive Director

Subject: Request for Cost / Burden Information

The Federal Accounting Standards Advisory Board (FASAB or the Board) is conducting research regarding the appropriate source of generally accepted accounting principles (GAAP) for federal government corporations and other federal entities that currently follow accounting standards from a source of GAAP other than that recommended by FASAB. This research project was initiated in January 2006 after the topic was considered a priority as a result of (1) the Board's October 2004 agenda-setting session, and (2) subsequent consideration of comments on the July 2005 invitation to comment on the four projects selected by the Board for consideration.

The Board has requested that FASAB staff analyze and document similarities and differences between the selected entities that might prove helpful in developing guidance on which source of GAAP is most appropriate. As part of that effort, staff would like to present the Board with information on the expected benefits and perceived costs and burdens associated with various approaches to resolving any concerns regarding the source of GAAP.

We would appreciate your candid responses to the attached questionnaire to assist us in providing the Board with the best information possible. We are requesting your responses be emailed to ranaganj@fasab.gov or faxed to 202-512-7366 by Friday, April 20, 2007. Please feel free to contact Julia Ranagan at 202-512-7377 to discuss any questions you may have. Thank you for your time and assistance.

Attachment

Request for Cost / Burden Information

Disclaimer: In the course of researching, developing or updating federal accounting standards, FASAB staff periodically utilize task forces, surveys, and other means of communication to solicit feedback from the federal community. The information contained in this survey is intended to assist staff in preparing materials for the Board's deliberations; it is not intended to reflect authoritative or formal views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

1. What are the main differences you are aware of between reporting under FASAB standards versus reporting under FASB standards for your specific organization (e.g., asset valuation, imputed costs, property, cost accounting, Management Discussion and Analysis, format of financial statements, etc.)?

(Please click on the grey shading in the box below to begin typing your response)

2. What do you see as the primary benefits that could be achieved if your organization converted to FASAB standards?

(Please click on the grey shading in the box below to begin typing your response)

3. What do you see as the primary drawbacks that might occur if your organization converted to FASAB standards?

(Please click on the grey shading in the box below to begin typing your response)

4. Estimates of the incremental costs that would be incurred by your organization to implement FASAB standards, as well as expected benefits and drawbacks, would be helpful in developing guidance on which source of GAAP is most appropriate. Please provide your input on possible incremental costs below.

(Please click on the grey shading in the box below to begin typing your response)

5. Is your organization planning to convert to a new financial management system or significantly enhance its accounting and financial reporting modules in the near future?

(Please click on the grey shading in the box below to begin typing your response)

Request for Cost / Burden Information

6. What suggestions can you offer that could potentially decrease the cost of converting to FASAB standards?

(Please click on the grey shading in the box below to begin typing your response)

7. Do you have any other comments?

(Please click on the grey shading in the box below to begin typing your response)

Requested Information Regarding Person Completing Survey:

(Please click on each grey box below to input requested information)

**First and Last
Name:**

Agency Name:

Position Title:

Phone Number:

Email Address:

Please direct all responses to Julia Ranagan by email to ranaganj@fasab.gov or fax to 202-512-7366 by Friday, April 20, 2007. Your responses are greatly appreciated.