



November 16, 2007

**Memorandum**

To: Members of the Board

From: Julia E. Ranagan, Assistant Director

Through: Wendy M. Payne, Executive Director

Subject: **Appropriate Source of GAAP – Informational Paper on the Extent of Financial Reporting Using a Primary Source of GAAP Other Than FASAB<sup>1</sup> – Tab D**

The purpose of this paper is to provide the Board members with a better idea of the extent of financial reporting using a primary source of generally accepted accounting principles (GAAP) other than that developed by FASAB. A closer look at the extent of the project will also serve to address open questions from the members about exactly what the impact might be to reporting entities in the executive, legislative, and judicial branches.

At the September meeting, staff presented the Board with the following three options:

- Option A – Take no action
- Option B – Implement workgroup recommendation
- Option C – Initiate FASAB project to address specific differences

The majority of the Board requested that staff further develop Option B (implement workgroup recommendation) but include additional information about financial statement user requirements for entities that are preparing FASB-based statements. Some members also requested to see a draft survey requesting cost information about the proposed changes to component level reporting, an assessment of the indirect impact on the legislative and judicial branches, and more information on whether entities that begin preparing financial statements for the first time should be permitted to prepare FASB-based financial statements under certain conditions.

This paper is provided for informational purposes only; no decisions are requested as a result of the information provided in this paper. For your reference, a running summary of the project background is included at *Appendix 1* beginning on page A-14.

If you have any questions or comments prior to the meeting, please contact me by telephone at 202-512-7377 or by e-mail at [ranaganj@fasab.gov](mailto:ranaganj@fasab.gov).

Attachments

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<sup>1</sup> 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.

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# **Appropriate Source of Generally Accepted Accounting Principles for Federal Government Corporations and Other Federal Entities**

## **Project Objective**

Since October 1999, the American Institute of Certified Public Accountants (AICPA) has recognized the Federal Accounting Standards Advisory Board (FASAB or “the Board”) as the standard-setting body for federal governmental entities; therefore, the pronouncements resulting from the FASAB process represent generally accepted accounting principles (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 U.S. 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 primary objective of this project is to consider the appropriate source of GAAP for federal entities. [See *Appendix 1* beginning on page A-14 for a detailed history on the project.]

## **Key Project Decisions to Date**

This project was introduced at the March 2007 board meeting so few key decisions have been made at this time. At the March meeting, the Board approved the project plan with the majority of the Board agreeing that staff should continue through at least phase 3 in the proposed project plan (see box on page A-14) to provide the Board with more decision-useful information and analysis upon which to base its decision regarding the future direction of the project. The only opposition voiced was that of Mr. Werfel who indicated that OMB would rather not pursue the project at this time in light of resource constraints and other issues that are more pressing. At the May meeting, the Board agreed that staff should coordinate with GAO, OMB, and Treasury on potential solutions to the issue and, if possible, come back to the Board with a draft framework that could be used to determine the appropriate source of GAAP for federal entities.

At the September 2007 meeting, nine of the Board members requested that staff further develop Option B (implement workgroup recommendation) but include additional information about financial statement user requirements for entities that are preparing FASB-based statements. Mr. Dacey stated that he preferred Option C and would like to have the guidance be flexible enough to allow for new entities to follow FASB where there may be legitimate user needs-based reasons. Some members also requested to see a draft survey requesting cost information about the proposed changes to component level reporting, an assessment of the indirect impact on the legislative and judicial branches, and more information on whether entities that begin preparing financial statements for the first time should be permitted to prepare FASB-based financial statements under certain conditions (see updated project plan on page A-16).

## **Purpose of this Paper**

The purpose of this paper is to provide the Board members with a better idea of the extent of financial reporting using a primary source of GAAP other than that developed by FASAB. A closer look at the extent of the project will also serve to address open questions from the members about exactly what the impact might be to reporting entities in the executive, legislative, and judicial branches.

## Analysis of Potential Impact

The following 124 federal reporting entities were analyzed to determine the primary source of reporting for and opinion on the fiscal year 2006 financial statements, if available. The entities on pages 2 through 10 include the executive agencies that are required to prepare financial statements under the *Chief Financial Officers Act of 1990 as expanded by the Government Management and Reform Act of 1994* (CFO/GMRA), the *Accountability of Tax Dollars Act* (ATDA), and the *Government Corporation Control Act* (GCCA). (See Appendix 4 for the complete list of entities). In addition, legislative entities that publish annual financial statements and selected component entities that were identified during staff research on the Source of GAAP project are also included.

The 30 entities listed in the first chart below might be impacted by a change to the “grandfather authority”<sup>1</sup> that allows entities to comply with FASAB GAAP by continuing to follow the FASB hierarchy. The impact would be either direct or indirect, depending on the branch. Neither FASAB nor any of its sponsors have legal jurisdiction over the legislative and judicial branches. The legislative and judicial branches, and most entities within those branches, are not required to prepare financial statements and those that do prepare statements cannot be legally required by any of FASAB’s sponsors to meet certain requirements. The responsibility to “enforce” compliance with FASAB requirements for the legislative and judicial branches of government would rest with the auditors indirectly through the issuance of an Other Comprehensive Basis of Accounting (OCBOA) or less than unqualified GAAP opinion.

The other 94 entities listed in the second chart already comply with FASAB reporting requirements and would probably not be impacted by a change to the “grandfather authority.”

### Which Reporting Entities Might Be Impacted (Directly or Indirectly) by a Change to the “Grandfather Authority”?

(entities that currently report using a primary source of GAAP other than FASAB)

Executive Branch			
<u>Agency</u>	<u>GAAP Source</u>	<u>2006 Opinion</u>	<u>Location of 2006 Annual Report</u>
● Farm Credit System Insurance Corporation *	FASB	U	<a href="http://www.fcsic.gov/documents/2006_FCSI_C_Annual_Report.pdf">http://www.fcsic.gov/documents/2006_FCSI_C_Annual_Report.pdf</a>
● Federal Deposit Insurance Corporation *	FASB	U	<a href="http://www.fdic.gov/about/strategic/report/2006annualreport/index_pdf.html">http://www.fdic.gov/about/strategic/report/2006annualreport/index_pdf.html</a>
● National Credit Union Administration *	FASB	U	<a href="http://www.ncua.gov/ReportsAndPlans/annualrpt/2006AR.pdf">http://www.ncua.gov/ReportsAndPlans/annualrpt/2006AR.pdf</a>
● Pension Benefit Guaranty Corporation *	FASB	U	<a href="http://www.pbgc.gov/docs/2006_annual_report.pdf">http://www.pbgc.gov/docs/2006_annual_report.pdf</a>
● Smithsonian Institution *	FASB	U	<a href="http://www.si.edu/about/documents/financial_statements_fy2006.pdf">www.si.edu/about/documents/financial_statements_fy2006.pdf</a>
● Tennessee Valley Authority *	FASB	U	<a href="http://www.tva.gov/finance/reports/index.htm">http://www.tva.gov/finance/reports/index.htm</a> (2006 SEC Form 10-K)
● United States Postal Service *	FASB	U	<a href="http://www.usps.com/financials/_pdf/anrpt2006_final.pdf">http://www.usps.com/financials/_pdf/anrpt2006_final.pdf</a>
● Appalachian Regional Commission	FASB	U	<a href="http://www.arc.gov/index.do?nodeId=3128">http://www.arc.gov/index.do?nodeId=3128</a>

<sup>1</sup> FASAB News, Jan.-March 2000, p. 2.

● Corporation for National and Community Service	FASB/ FASAB	U	<a href="http://www.cns.gov/pdf/par_2006_full.pdf">http://www.cns.gov/pdf/par_2006_full.pdf</a>
● Denali Commission	FASB	U	<a href="http://www.agacgfm.org/performance/cear/downloads/DenaliCommission.pdf">http://www.agacgfm.org/performance/cear/downloads/DenaliCommission.pdf</a> (2005 Report)
● Department of the Treasury Exchange Stabilization Fund	FASB	U	<a href="http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07017.pdf">http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07017.pdf</a>
● Department of the Treasury Community Development Financial Institutions Fund	FASB	U	<a href="http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07011.pdf">http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07011.pdf</a>
● Department of the Treasury Federal Financing Bank	FASB	U	<a href="http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07009.pdf">http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07009.pdf</a>
● Department of the Treasury Bureau of Engraving and Printing	FASB	U	<a href="http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07004.pdf">http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07004.pdf</a>
● Department of the Treasury Office of Thrift Supervision	FASB	U	<a href="http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07021.pdf">http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07021.pdf</a>
● Department of Justice Federal Prison Industries (Unicor)	FASB	U	<a href="http://www.unicor.gov/information/publications/pdfs/corporate/catar2006.pdf">http://www.unicor.gov/information/publications/pdfs/corporate/catar2006.pdf</a>
● Department of Housing and Urban Development Government National Mortgage Association (Ginnie Mae)	FASB	U	<a href="http://www.ginniemae.gov/about/ann_rep/annual_financials06.pdf">http://www.ginniemae.gov/about/ann_rep/annual_financials06.pdf</a>
● Federal Financial Institutions Examination Council Appraisal Subcommittee	FASB	U	<a href="http://www.asc.gov/FileListDefault.aspx?id=71">http://www.asc.gov/FileListDefault.aspx?id=71</a>
● Federal Prison Industries, Inc. (Unicor)	FASB	U	<a href="http://www.unicor.gov/information/publications/pdfs/corporate/catar2006.pdf">http://www.unicor.gov/information/publications/pdfs/corporate/catar2006.pdf</a>
● Federal Retirement Thrift Investment Board	FASB	U	<a href="http://www.tsp.gov/forms/financial-stmt.pdf">http://www.tsp.gov/forms/financial-stmt.pdf</a>
● Legal Services Corporation	GASB	U	<a href="http://www.oig.lsc.gov/reports/corp/lscfy06.pdf">http://www.oig.lsc.gov/reports/corp/lscfy06.pdf</a>
● Millennium Challenge Corporation <sup>2</sup>	FASB/ FASAB	U	<a href="http://www.mcc.gov/about/reports/annual/mcc-annualreport-2006.pdf">http://www.mcc.gov/about/reports/annual/mcc-annualreport-2006.pdf</a>
● National Credit Union Administration Central Liquidity Facility	FASB	U	<a href="http://www.ncua.gov/OIG/Reports/2007/2006FinancialStatementAuditReport.pdf">http://www.ncua.gov/OIG/Reports/2007/2006FinancialStatementAuditReport.pdf</a>
● Overseas Private Investment Corporation	FASB	U	<a href="http://www.opic.gov/pdf/OPIC_AR.pdf">http://www.opic.gov/pdf/OPIC_AR.pdf</a>
● Saint Lawrence Seaway Development Corporation (DOT)	FASB/ FASAB	U	<a href="http://www.greatlakes-seaway.com/en/pdf/fy2006ar.pdf">http://www.greatlakes-seaway.com/en/pdf/fy2006ar.pdf</a>
● U.S. Holocaust Memorial Museum <sup>3</sup>	FASB/ FASAB	U	<a href="http://www.ushmm.org/notices/performance/2006/details/01-performance/report.pdf">http://www.ushmm.org/notices/performance/2006/details/01-performance/report.pdf</a>
● All other executive entities that prepare stand-alone financial statements in accordance with a primary source of GAAP other than FASAB (includes applicable entities from the list on page 10 and any others that are not required by law to prepare financial statements but do so anyway in accordance with a primary source of GAAP other than FASAB).			

<sup>2</sup> Millennium Challenge Corporation asserts that its financial statements are prepared in accordance with FASAB standards; however, while some federal reporting information is incorporated, the financial statements are not those required by FASAB standards.

<sup>3</sup> The U.S. Holocaust Memorial Museum includes a blended presentation of FASB and FASAB-based reports in its financial statements in an effort to satisfy both reporting requirements.

<b>Legislative Branch<sup>4</sup></b>			
<u>Agency</u>	<u>GAAP Source</u>	<u>2006 Opinion</u>	<u>Location of 2006 Annual Report</u>
<ul style="list-style-type: none"> <li>U.S. Government Printing Office<sup>5</sup></li> </ul>	FASB	U	<a href="http://www.gpo.gov/congressional/annualreports/06annrep/2006-GPOAnnualReport.pdf">http://www.gpo.gov/congressional/annualreports/06annrep/2006-GPOAnnualReport.pdf</a>
<ul style="list-style-type: none"> <li>U.S. House of Representatives</li> </ul>	FASB	U	<a href="http://www.house.gov/IG/07hoc08.pdf">http://www.house.gov/IG/07hoc08.pdf</a>
<ul style="list-style-type: none"> <li>U.S. Senate Restaurants Revolving Fund</li> </ul>	FASB	U	<a href="http://www.gao.gov/new.items/d07462.pdf">http://www.gao.gov/new.items/d07462.pdf</a>
<ul style="list-style-type: none"> <li>Capitol Preservation Fund</li> </ul>	FASB	U	<a href="http://www.gao.gov/new.items/d07335.pdf">http://www.gao.gov/new.items/d07335.pdf</a>
<ul style="list-style-type: none"> <li>All other legislative entities that prepare stand-alone financial statements in accordance with a primary source of GAAP other than FASAB.</li> </ul>			
<b>Judicial Branch<sup>6</sup></b>			
<u>Agency</u>	<u>GAAP Source</u>	<u>2006 Opinion</u>	<u>Location of 2006 Annual Report</u>
<ul style="list-style-type: none"> <li>N/A – The judicial entities have not begun preparing financial statements.</li> </ul>			

\* - Entities denoted by an asterisk are designated as one of the 35 verifying agencies required to submit an audited closing package in support of the CFR.

**Key to 2006 Financial Statement Audit Opinion:**

D = Disclaimer  
 Q = Qualified  
 U = Unqualified

<sup>4</sup> The legislative branch is composed primarily of the Congress (House and Senate), Architect of the Capitol, United States Botanic Garden, Government Accountability Office, Government Printing Office, Library of Congress, and the Congressional Budget Office.

<sup>5</sup> Annual audited financial statements required by 44 U.S.C. § 309(e).

<sup>6</sup> The judicial branch is composed primarily of the Supreme Court of the United States, Lower Courts, Special Courts, Administrative Office of the United States Courts, Federal Judicial Center, and the United States Sentencing Commission.

# Which Reporting Entities Would Probably Not Be Impacted (Directly or Indirectly) by a Change to the “Grandfather Authority”?

(entities that currently report using FASAB as the primary source of GAAP)

Executive Branch			
<i>Agency</i>	<i>GAAP Source</i>	<i>2006 Opinion</i>	<i>Location of 2006 Annual Report</i>
• Department of Agriculture *	FASAB	U	<a href="http://www.ocfo.usda.gov/usdarpt/usdarpt.htm">http://www.ocfo.usda.gov/usdarpt/usdarpt.htm</a>
• Department of Commerce *	FASAB	U	<a href="http://www.osec.doc.gov/bmi/Budget/06APP R/PAR06.pdf">http://www.osec.doc.gov/bmi/Budget/06APP R/PAR06.pdf</a>
• Department of Defense *	FASAB	D	<a href="http://www.defenselink.mil/comptroller/par/index.html">http://www.defenselink.mil/comptroller/par/index.html</a>
• Department of Education *	FASAB	U	<a href="http://www.ed.gov/about/reports/annual/2006report/index.html">http://www.ed.gov/about/reports/annual/2006report/index.html</a>
• Department of Energy *	FASAB	Q/D	<a href="http://www.cfo.doe.gov/progliaison/par2006.htm">http://www.cfo.doe.gov/progliaison/par2006.htm</a>
• Department of Health and Human Services *	FASAB	U	<a href="http://www.hhs.gov/of/library/par06/pdfmenu/">http://www.hhs.gov/of/library/par06/pdfmenu/</a>
• Department of Homeland Security *	FASAB	D	<a href="http://www.dhs.gov/xlibrary/assets/cfo_par2006_fullreport.pdf">http://www.dhs.gov/xlibrary/assets/cfo_par2006_fullreport.pdf</a>
• Department of Housing and Urban Development *	FASAB	U	<a href="http://www.hud.gov/offices/cfo/reports/2006/2006par.pdf">http://www.hud.gov/offices/cfo/reports/2006/2006par.pdf</a>
• Department of Interior *	FASAB	U	<a href="http://www.doi.gov/pfm/par/par2006/">http://www.doi.gov/pfm/par/par2006/</a>
• Department of Justice *	FASAB	U	<a href="http://www.usdoj.gov/ag/annualreports/pr2006/TableofContents.htm">http://www.usdoj.gov/ag/annualreports/pr2006/TableofContents.htm</a>
• Department of Labor *	FASAB	U	<a href="http://www.dol.gov/sec/media/reports/annual2006/main.htm">http://www.dol.gov/sec/media/reports/annual2006/main.htm</a>
• Department of State – Restated *	FASAB	U	<a href="http://www.state.gov/s/d/rm/rls/perfrpt/2006/">http://www.state.gov/s/d/rm/rls/perfrpt/2006/</a>
• Department of Transportation *	FASAB	Q	<a href="http://www.dot.gov/perfacc2006/index.htm">http://www.dot.gov/perfacc2006/index.htm</a>
• Department of the Treasury *	FASAB	U	<a href="http://www.treasury.gov/offices/management/dcfo/accountability-reports/2006-par/Full_Version.pdf">http://www.treasury.gov/offices/management/dcfo/accountability-reports/2006-par/Full_Version.pdf</a>
• Department of Veterans Affairs *	FASAB	U	<a href="http://www.va.gov/budget/report/">http://www.va.gov/budget/report/</a>
• U.S. Agency for International Development *	FASAB	U	<a href="http://www.usaid.gov/policy/par06/">http://www.usaid.gov/policy/par06/</a>
• Environmental Protection Agency *	FASAB	U	<a href="http://www.epa.gov/ocfo/finstatement/2006par/index.htm">http://www.epa.gov/ocfo/finstatement/2006par/index.htm</a>
• General Services Administration *	FASAB	U	<a href="http://www.gsa.gov/graphics/staffoffices/GS AFY2006PAR.pdf">http://www.gsa.gov/graphics/staffoffices/GS AFY2006PAR.pdf</a>
• National Aeronautics and Space Administration *	FASAB	D	<a href="http://www.nasa.gov/pdf/167682main_FY_2006_NASA_PAR_508.pdf">http://www.nasa.gov/pdf/167682main_FY_2006_NASA_PAR_508.pdf</a>
• National Science Foundation *	FASAB	U	<a href="http://www.nsf.gov/pubs/2007/nsf0701/pdf/FY2006PAR.pdf">http://www.nsf.gov/pubs/2007/nsf0701/pdf/FY2006PAR.pdf</a>
• Nuclear Regulatory Commission *	FASAB	U	<a href="http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1542/v12/">http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1542/v12/</a>
• Office of Personnel Management *	FASAB	U	<a href="http://www.opm.gov/gpra/opmgpra/par2006/index.asp">http://www.opm.gov/gpra/opmgpra/par2006/index.asp</a>
• Small Business Administration *	FASAB	U	<a href="http://www.sba.gov/aboutsba/budgetsplans/serv_abtsba_budgets_par2006.html">http://www.sba.gov/aboutsba/budgetsplans/serv_abtsba_budgets_par2006.html</a>
• Social Security Administration *	FASAB	U	<a href="http://www.ssa.gov/finance/">http://www.ssa.gov/finance/</a>

• Export Import Bank *	FASAB	U	<a href="http://www.exim.gov/about/reports/ar/ar2006/index.html">http://www.exim.gov/about/reports/ar/ar2006/index.html</a>
• Federal Communications Commission *	FASAB	U	<a href="http://www.fcc.gov/Reports/ar2006.pdf">http://www.fcc.gov/Reports/ar2006.pdf</a>
• Railroad Retirement Board *	FASAB	U	<a href="http://www.rrb.gov/pdf/bfo/par2006.pdf">http://www.rrb.gov/pdf/bfo/par2006.pdf</a>
• Securities and Exchange Commission *	FASAB	U	<a href="http://www.sec.gov/about/secpar/secpar2006.pdf">http://www.sec.gov/about/secpar/secpar2006.pdf</a>
• Air Force General Funds (DoD)	FASAB	D	<a href="http://www.defenselink.mil/comptroller/cfs/fy2006/03_Department_of_the_Air_Force/Fiscal_Year_2006_Department_of_the_Air_Force_Financial_Statements_and_Notes.pdf">http://www.defenselink.mil/comptroller/cfs/fy2006/03_Department_of_the_Air_Force/Fiscal_Year_2006_Department_of_the_Air_Force_Financial_Statements_and_Notes.pdf</a>
• Air Force Working Capital Fund (DoD)	FASAB	D	<a href="http://www.defenselink.mil/comptroller/cfs/fy2006/03_Department_of_the_Air_Force/Fiscal_Year_2006_Department_of_the_Air_Force_Financial_Statements_and_Notes.pdf">http://www.defenselink.mil/comptroller/cfs/fy2006/03_Department_of_the_Air_Force/Fiscal_Year_2006_Department_of_the_Air_Force_Financial_Statements_and_Notes.pdf</a>
• Army General Funds (DoD)	FASAB	D	<a href="http://www.dod.mil/comptroller/cfs/fy2006/02_Department_of_the_Army/Fiscal_Year_2006_Department_of_the_Army_Financial_Statements_and_Notes.pdf">http://www.dod.mil/comptroller/cfs/fy2006/02_Department_of_the_Army/Fiscal_Year_2006_Department_of_the_Army_Financial_Statements_and_Notes.pdf</a>
• Army Working Capital Fund (DoD)	FASAB	D	<a href="http://www.dod.mil/comptroller/cfs/fy2006/02_Department_of_the_Army/Fiscal_Year_2006_Department_of_the_Army_Financial_Statements_and_Notes.pdf">http://www.dod.mil/comptroller/cfs/fy2006/02_Department_of_the_Army/Fiscal_Year_2006_Department_of_the_Army_Financial_Statements_and_Notes.pdf</a>
• Army Corps of Engineers Civil Works (DoD)	FASAB	D	<a href="http://www.dod.mil/comptroller/cfs/fy2006/02_Department_of_the_Army/Fiscal_Year_2006_Department_of_the_Army_Financial_Statements_and_Notes.pdf">http://www.dod.mil/comptroller/cfs/fy2006/02_Department_of_the_Army/Fiscal_Year_2006_Department_of_the_Army_Financial_Statements_and_Notes.pdf</a>
• Navy General Funds (DoD)	FASAB	D	<a href="http://www.defenselink.mil/comptroller/cfs/fy2006/04_Department_of_the_Navy/Fiscal_Year_2006_Department_of_the_Navy_Financial_Statements_and%20Notes.pdf">http://www.defenselink.mil/comptroller/cfs/fy2006/04_Department_of_the_Navy/Fiscal_Year_2006_Department_of_the_Navy_Financial_Statements_and%20Notes.pdf</a>
• Navy Working Capital Fund (DoD)	FASAB	D	<a href="http://www.defenselink.mil/comptroller/cfs/fy2006/04_Department_of_the_Navy/Fiscal_Year_2006_Department_of_the_Navy_Financial_Statements_and%20Notes.pdf">http://www.defenselink.mil/comptroller/cfs/fy2006/04_Department_of_the_Navy/Fiscal_Year_2006_Department_of_the_Navy_Financial_Statements_and%20Notes.pdf</a>
• Centers for Medicare & Medicaid Services (HHS)	FASAB	U	<a href="http://www.cms.hhs.gov/CFORReport/Downloads/2006_CMS_Financial_Report.pdf">http://www.cms.hhs.gov/CFORReport/Downloads/2006_CMS_Financial_Report.pdf</a>
• Federal Aviation Administration (DOT)	FASAB	Q	<a href="http://www.faa.gov/about/plans_reports/media/Combined_FY_2006_FAA_PAR_Final_v6_12-14-2006.pdf">http://www.faa.gov/about/plans_reports/media/Combined_FY_2006_FAA_PAR_Final_v6_12-14-2006.pdf</a>
• Internal Revenue Service (Treasury)	FASAB	U	<a href="http://www.gao.gov/new.items/d07136.pdf">http://www.gao.gov/new.items/d07136.pdf</a>
• Office of D.C. Pensions (Treasury)	FASAB	U	<a href="http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07018.pdf">http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07018.pdf</a>
• Office of the Comptroller of the Currency (Treasury)	FASAB	U	<a href="http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07020.pdf">http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07020.pdf</a>
• U.S. Mint (Treasury)	FASAB	U	<a href="http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07022.pdf">http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07022.pdf</a>
• Financial Crimes Enforcement Network (Treasury)	FASAB	U	<a href="http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07024.pdf">http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07024.pdf</a>
• Forfeiture Fund (Treasury)	FASAB	U	<a href="http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07027.pdf">http://www.ustreas.gov/inspector-general/audit-reports/2007/oig07027.pdf</a>
• Civil Service Retirement and Disability Fund (OPM)	FASAB	U	<a href="http://www.opm.gov/gpra/opmgpra/par2006/index.asp">http://www.opm.gov/gpra/opmgpra/par2006/index.asp</a>
• Federal Employees Health Benefit Program (OPM)	FASAB	U	<a href="http://www.opm.gov/gpra/opmgpra/par2006/index.asp">http://www.opm.gov/gpra/opmgpra/par2006/index.asp</a>
• Federal Employees Life Insurance Program (OPM)	FASAB	U	<a href="http://www.opm.gov/gpra/opmgpra/par2006/index.asp">http://www.opm.gov/gpra/opmgpra/par2006/index.asp</a>
• Consumer Product Safety	FASAB	U	<a href="http://www.cpsc.gov/cpsc/pub/pubs/reports/2">http://www.cpsc.gov/cpsc/pub/pubs/reports/2</a>

Commission				<a href="#">006par.pdf</a>
• Commodity Futures Trading Commission	FASAB	U		<a href="http://www.cftc.gov/stellent/groups/public/@aboutcftc/documents/file/2006performaccreport.pdf">http://www.cftc.gov/stellent/groups/public/@aboutcftc/documents/file/2006performaccreport.pdf</a>
• African Development Foundation	FASAB	U		<a href="http://www.usaid.gov/oig/public/adf/0-adf-07-002-c.pdf">http://www.usaid.gov/oig/public/adf/0-adf-07-002-c.pdf</a>
• Armed Forces Retirement Home	FASAB	U		<a href="http://www.afrh.gov/afrh/about/par/afrhentirepar06.pdf">http://www.afrh.gov/afrh/about/par/afrhentirepar06.pdf</a>
• Broadcasting Board of Governors	FASAB	U		<a href="http://www.bbg.gov/bbg_perform.cfm">http://www.bbg.gov/bbg_perform.cfm</a>
• Chemical Safety and Hazard Investigation Board	FASAB	U		<a href="http://www.csb.gov/legal_affairs/docs/CSB%20FY%202006%20Performance%20Report.pdf">http://www.csb.gov/legal_affairs/docs/CSB%20FY%202006%20Performance%20Report.pdf</a>
• Commission on Civil Rights	FASAB	U		<a href="http://www.usccr.gov/about/pdfs/parreportfinalFY06.pdf">http://www.usccr.gov/about/pdfs/parreportfinalFY06.pdf</a>
• Commodity Credit Corporation (USDA)	FASAB	U		<a href="http://www.usda.gov/oig/webdocs/06401-21-FM.pdf">http://www.usda.gov/oig/webdocs/06401-21-FM.pdf</a>
• Court Services and Offender Supervision Agency for DC	FASAB	U		<a href="http://www.csosa.gov/foia/CSOSA_PAR_FY04.pdf">www.csosa.gov/foia/CSOSA_PAR_FY04.pdf</a> (2004 Report)
• Defense Nuclear Facilities Safety Board	FASAB	U		<a href="http://www.hss.energy.gov/deprep/dnfsb/Documents/rcpr_2006.pdf">http://www.hss.energy.gov/deprep/dnfsb/Documents/rcpr_2006.pdf</a>
• Equal Employment Opportunity Commission	FASAB	U		<a href="http://www.eeoc.gov/abouteeoc/plan/par/2006">http://www.eeoc.gov/abouteeoc/plan/par/2006</a>
• Farm Credit Administration	FASAB	U		<a href="http://www.fca.gov/Download/performance_and_accountability_report_fy_2006.pdf">http://www.fca.gov/Download/performance_and_accountability_report_fy_2006.pdf</a>
• Federal Crop Insurance Corporation (USDA)	FASAB	U		<a href="http://www.usda.gov/oig/webdocs/05401-15-FM.pdf">http://www.usda.gov/oig/webdocs/05401-15-FM.pdf</a>
• Federal Election Commission	FASAB	U/Q		<a href="http://www.fec.gov/pages/budget/fy2006/par_2006.pdf">http://www.fec.gov/pages/budget/fy2006/par_2006.pdf</a>
• Federal Housing Administration (HUD)	FASAB	U		<a href="http://www.hud.gov/offices/hsg/fhafy06annualmanagementreport.pdf">http://www.hud.gov/offices/hsg/fhafy06annualmanagementreport.pdf</a>
• Federal Housing Finance Board	FASAB	U		<a href="http://www.fhfb.gov/GetFile.aspx?FileID=6149">http://www.fhfb.gov/GetFile.aspx?FileID=6149</a>
• Federal Labor Relations Authority	FASAB	U		<a href="http://www.ignet.gov/internal/flra/flrapanda05.pdf">http://www.ignet.gov/internal/flra/flrapanda05.pdf</a> (2005 Report)
• Federal Maritime Commission	FASAB	U		<a href="http://www.fmc.gov/UserFiles/pages/File/Federal_Maritime_Commission_Fiscal_Year_2006_PAR.pdf">http://www.fmc.gov/UserFiles/pages/File/Federal_Maritime_Commission_Fiscal_Year_2006_PAR.pdf</a>
• Federal Mediation and Conciliation Service	FASAB	U		
• Federal Trade Commission	FASAB	U		<a href="http://www.ftc.gov/opp/gpra/2006parreport.pdf">http://www.ftc.gov/opp/gpra/2006parreport.pdf</a>
• Food and Nutrition Service (USDA)	FASAB	U		<a href="http://www.usda.gov/oig/webdocs/27401-31-HY.pdf">http://www.usda.gov/oig/webdocs/27401-31-HY.pdf</a>
• Forest Service (USDA)	FASAB	U		<a href="http://www.usda.gov/oig/rptsauditsfs.htm">http://www.usda.gov/oig/rptsauditsfs.htm</a>
• Institute of Museum and Library Services	FASAB	U		<a href="http://www.ims.gov/pdf/IMLS_06_PAR_Final.pdf">http://www.ims.gov/pdf/IMLS_06_PAR_Final.pdf</a>
• Inter-American Foundation	FASAB	U		<a href="http://www.usaid.gov/oig/public/iaf/aud_iaf_fy06rpts1.html">http://www.usaid.gov/oig/public/iaf/aud_iaf_fy06rpts1.html</a> (2005 Report)
• Japan-U.S. Friendship Commission	FASAB	U		<a href="http://www.jusfc.gov/pdf/JUSFC%20audit%20report%20package%20FYE%2009-30-2006.pdf">http://www.jusfc.gov/pdf/JUSFC%20audit%20report%20package%20FYE%2009-30-2006.pdf</a>
• Military Retirement Fund (DoD)	FASAB	U		<a href="http://www.defenselink.mil/comptroller/cfs/fy2006/13_Military_Retirement_Fund/Fiscal_Year_2006_Military_Retirement_Fund_Financial_Statements_and_Notes.pdf">http://www.defenselink.mil/comptroller/cfs/fy2006/13_Military_Retirement_Fund/Fiscal_Year_2006_Military_Retirement_Fund_Financial_Statements_and_Notes.pdf</a>
• Morris K. Udall Foundation	FASAB	U		<a href="http://www.udall.gov/pdf/Performance_Accountability_Report_2006.pdf">http://www.udall.gov/pdf/Performance_Accountability_Report_2006.pdf</a>
• National Archives and Records Administration	FASAB	U		<a href="http://www.archives.gov/about/plans-reports/performance-accountability/">http://www.archives.gov/about/plans-reports/performance-accountability/</a>

• National Endowment for the Humanities	FASAB	U	<a href="http://www.neh.gov/whoweare/pdf/par2006.pdf">http://www.neh.gov/whoweare/pdf/par2006.pdf</a>
• National Labor Relations Board	FASAB	U	<a href="http://www.nlr.gov/nlr/shared_files/reports/NLRB_FY2006.pdf">http://www.nlr.gov/nlr/shared_files/reports/NLRB_FY2006.pdf</a>
• National Mediation Board	FASAB	U	<a href="http://www.nmb.gov/documents/nmb_ar06_web.pdf">http://www.nmb.gov/documents/nmb_ar06_web.pdf</a>
• National Transportation Safety Board	FASAB	U	<a href="http://www.nts.gov/Publictn/2006/SPC0602.htm">http://www.nts.gov/Publictn/2006/SPC0602.htm</a>
• Nuclear Waste Technical Review Board	FASAB	U	<a href="http://www.nwtrb.gov/plans/audit%20rpt2006.pdf">http://www.nwtrb.gov/plans/audit%20rpt2006.pdf</a>
• Occupational Safety and Health Review Commission	FASAB	U	<a href="http://www.oshrc.gov/performance/06perfprt.html">http://www.oshrc.gov/performance/06perfprt.html</a>
• Office of Government Ethics	FASAB	U	<a href="http://www.usoge.gov/pages/forms_pubs_of_herdocs/fpo_files/mgmt_rpts_plans/par_06_toc.html">http://www.usoge.gov/pages/forms_pubs_of_herdocs/fpo_files/mgmt_rpts_plans/par_06_toc.html</a>
• Office of Special Counsel	FASAB	U	<a href="http://www.osc.gov/library.htm#congress">http://www.osc.gov/library.htm#congress</a>
• Presidio Trust	FASAB	Q	<a href="http://www.presidio.gov/trust/documents/budgetget.htm">http://www.presidio.gov/trust/documents/budgetget.htm</a>
• Peace Corps	FASAB	Q/D	<a href="http://www.peacecorps.gov/multimedia/pdf/policies/annrept2006.pdf">http://www.peacecorps.gov/multimedia/pdf/policies/annrept2006.pdf</a>
• Rural Development mission area (USDA)	FASAB	U	<a href="http://www.usda.gov/oig/rptsauditsrd.htm">http://www.usda.gov/oig/rptsauditsrd.htm</a>
• Rural Telephone Bank (USDA)	FASAB	U	<a href="http://www.usda.gov/rus/telecom/rtb/pdf_file/15401-7-FM.pdf">http://www.usda.gov/rus/telecom/rtb/pdf_file/15401-7-FM.pdf</a>
• Selective Service System	FASAB	Q	<a href="http://www.sss.gov/PDFs/PAR-2006-final.pdf">http://www.sss.gov/PDFs/PAR-2006-final.pdf</a>
• Trade and Development Agency	FASAB	U	<a href="http://www.ustda.gov/otherinfo/FY2006Audit.edFS.pdf">http://www.ustda.gov/otherinfo/FY2006Audit.edFS.pdf</a>
• U.S. Court of Appeals for Veterans Claims			
• U.S. International Trade Commission	FASAB	U	<a href="http://www.usitc.gov/oig/AuditReportsOIG-AR-01-07.pdf">http://www.usitc.gov/oig/AuditReportsOIG-AR-01-07.pdf</a>
• All executive entities that have not begun preparing financial statements as well as all applicable entities from the list on page 10 and any others that are not required by law to prepare financial statements but do so anyway in accordance with FASAB GAAP.			

**Legislative Branch**

<u>Agency</u>	<u>GAAP Source</u>	<u>2006 Opinion</u>	<u>Location of 2006 Annual Report</u>
• Architect of the Capitol	FASAB	U	<a href="http://www.aoc.gov/aoc/cfo/index.cfm">http://www.aoc.gov/aoc/cfo/index.cfm</a> ; includes the following three revolving funds: the House of Representatives Wellness Center Fund, Senate Health and Fitness Facility Fund, and the Judiciary Office Building Development and Operations Fund.
• Congressional Budget Office	FASAB	U	2006 Statements were provided by CBO via e-mail upon request.
• Government Accountability Office	FASAB	U	<a href="http://www.gao.gov/cgi-bin/getrpt?GAO-07-2SP">http://www.gao.gov/cgi-bin/getrpt?GAO-07-2SP</a>
• Library of Congress	FASAB	U	<a href="http://lcweb.loc.gov/fsd/fin/pdfs/fy06.pdf">http://lcweb.loc.gov/fsd/fin/pdfs/fy06.pdf</a>
• All legislative entities that have not begun preparing financial statements.			

<b>Judicial Branch</b>			
<u>Agency</u>	<u>GAAP Source</u>	<u>2006 Opinion</u>	<u>Location of 2006 Annual Report</u>
<ul style="list-style-type: none"><li>• All judicial entities that have not begun preparing financial statements (The judicial entities have not begun preparing financial statements).</li></ul>			

\* - Entities denoted by an asterisk are designated as one of the 35 verifying agencies required to submit an audited closing package in support of the CFR.

The 31 federal entities listed below are also required to prepare annual financial statements and subject them to audit by either the ATDA or the GCCA. The entities below are not included in the tables above because their financial statements could not be obtained in a timely manner; therefore, it is unknown under which basis they report:

Entity	Audit Requirement
Advisory Council on Historic Preservation	ATDA
Architectural and Transportation Barriers Compliance Board	ATDA
Barry Goldwater Scholarship and Excellence in Education Fund	ATDA
Central Intelligence Agency	ATDA
Christopher Columbus Fellowship Foundation	ATDA
Commission of Fine Arts	ATDA
Commission for the Preservation of America's Heritage Abroad	ATDA
Committee for Purchase from People Who Are Blind or Severely Disabled	ATDA
Delta Regional Authority	ATDA
Federal Mediation and Conciliation Service	ATDA
Federal Mine Safety and Health Review Commission	ATDA
Harry S. Truman Scholarship Fund	ATDA
Institute of American Indian and Alaska Native Culture and Arts Development	ATDA
James Madison Memorial Fellowship Foundation	ATDA
Marine Mammal Commission	ATDA
Merit Systems Protection Board	ATDA
National Capital Planning Commission	ATDA
National Commission on Libraries and Information Science	ATDA
National Council on Disability	ATDA
National Endowment for the Arts	ATDA
Office of Navajo and Hopi Indian Relocation Commission	ATDA
SI/John F. Kennedy Center for the Performing Arts	ATDA
SI/National Gallery of Arts	ATDA
SI/Woodrow Wilson International Center for Scholars	ATDA
U.S. Court of Appeals for Veteran Claims	ATDA
U.S. Interagency Council on Homelessness	ATDA
Vietnam Education Foundation	ATDA
White House Commission on the National Monument of Remembrance	ATDA
Federal Home Loan Banks	GCCA
Financing Corporation	GCCA
Resolution Funding Corporation	GCCA

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As noted in *Illustration 1* on the following page, the entities wherein the more significant issues with different sources of GAAP might arise (based on materiality) are listed below:

**Assets**

- None

**Liabilities**

- Pension Benefit Guaranty Corporation

**Revenue**

- U.S. Postal Service

**Expenses**

- U.S. Postal Service

It is important to note that this analysis is one-sided. It is conceivable that more entities, which currently report under FASB standards, could be considered material if the application of FASAB standards resulted in the recognition of additional or more highly valued events and transactions.

**Informational Note about Appendices 2 and 3**

Excerpts from GAO's report on "Federal Entities Financial Audits" (GAO-05-1024R) and the governmentwide "2006 Year-End Closing Statement" are provided in Appendices 2 and 3 beginning on pages A-17 and A-19, respectively, to provide additional information on the comparative sizes of the significant executive branch entities as well as the legislative and judicial branches.

## Illustration 1 – Size and Source of GAAP Comparison of Reporting Entities

(dollars in millions)

			Balance Sheet		Net Costs/SoCNP			% of Total			
			Opinion	Assets	Liabilities	Opinion	Income	Expense	Assets	Liabilities	Revenue
<b>Executive Branch</b>											
Department of Agriculture	FASAB	U	134,229	123,953	U	111,577	108,174	0.90%	0.85%	3.28%	3.28%
Department of Commerce	FASAB	U	13,360	3,891	U	9,115	8,824	0.09%	0.03%	0.27%	0.27%
Department of Defense	FASAB	D	1,367,053	1,959,433	D	608,364	629,736	9.20%	13.45%	17.87%	19.09%
Department of Education	FASAB	U	214	168	U	104,082	104,699	0.00%	0.00%	3.06%	3.17%
Department of Energy	FASAB	Q	126,052	297,147	D	31,778	73,027	0.85%	2.04%	0.93%	2.21%
Department of Homeland Security	FASAB	D	79,233	70,887	D	64,572	62,481	0.53%	0.49%	1.90%	1.89%
Department of Interior	FASAB	U	65,433	11,938	U	22,477	19,484	0.44%	0.08%	0.66%	0.59%
Department of Justice	FASAB	U	26,847	7,687	U	27,986	27,484	0.18%	0.05%	0.82%	0.83%
Department of Labor	FASAB	U	83,651	19,756	U	61,031	48,651	0.56%	0.14%	1.79%	1.47%
Department of State	FASAB	U	39,958	17,893	U	18,208	17,083	0.27%	0.12%	0.53%	0.52%
Department of the Treasury	FASAB	U	8,987,978	8,873,064	U	427,739	433,221	60.51%	60.92%	12.56%	13.13%
Department of Transportation	FASAB	Q	65,066	13,683	Q	58,862	63,607	0.44%	0.09%	1.73%	1.93%
Department of Veteran Affairs	FASAB	U	44,610	1,181,957	U	72,559	101,462	0.30%	8.11%	2.13%	3.08%
Dept. of Health and Human Services	FASAB	U	513,909	78,425	U	658,799	623,990	3.46%	0.54%	19.35%	18.92%
Dept. of Housing and Urban Dev.	FASAB	U	123,063	17,323	U	44,149	42,771	0.83%	0.12%	1.30%	1.30%
Environmental Protection Agency	FASAB	U	17,762	1,588	U	9,682	9,216	0.12%	0.01%	0.28%	0.28%
Export-Import Bank	FASAB	U	9,307	8,773	U	77	306	0.06%	0.06%	0.00%	0.01%
Farm Credit System Ins. Corp.	FASB	U	2,312	300	U	252	2	0.02%	0.00%	0.01%	0.00%
Federal Communications Comm.	FASAB	U	9,843	4,632	U	8,659	7,885	0.07%	0.03%	0.25%	0.24%
Federal Deposit Insurance Corp.	FASB	U	54,665	880	U	2,815	1,449	0.37%	0.01%	0.08%	0.04%
General Services Administration	FASAB	U	28,470	5,959	U	17,256	16,531	0.19%	0.04%	0.51%	0.50%
Nat. Aeronautics and Space Admin.	FASAB	D	45,310	3,313	D	16,094	18,581	0.31%	0.02%	0.47%	0.56%
National Credit Union Admin.	FASB	U	7,057	78	U	266	85	0.05%	0.00%	0.01%	0.00%
National Science Foundation	FASAB	U	8,248	442	U	5,773	5,722	0.06%	0.00%	0.17%	0.17%
Nuclear Regulatory Commission	FASAB	U	386	173	U	753	721	0.00%	0.00%	0.02%	0.02%
Office of Personnel Management	FASAB	U	749,725	1,616,905	U	125,425	170,089	5.05%	11.10%	3.68%	5.16%
Pension Benefit Guaranty Corp.	FASB	U	61,138	80,019	U	10,341	6,111	0.41%	<b>0.55%</b>	0.30%	0.19%
Railroad Retirement Board	FASAB	U	34,488	4,602	U	11,561	9,859	0.23%	0.03%	0.34%	0.30%
Securities and Exchange Comm.	FASAB	U	9,290	4,128	U	1,883	889	0.06%	0.03%	0.06%	0.03%
Small Business Administration	FASAB	U	13,099	12,033	U	1,838	2,119	0.09%	0.08%	0.05%	0.06%
Smithsonian Institution	FASB	U	2,870	596	U	1,208	1,061	0.02%	0.00%	0.04%	0.03%

Social Security Administration	FASAB	U	2,035,552	79,121	U	772,113	588,269	13.70%	0.54%	22.68%	17.83%
Tennessee Valley Authority	FASB	U	34,520	31,821	U	9,252	8,923	0.23%	0.22%	0.27%	0.27%
U.S. Agency for International Dev.	FASAB	U	25,151	9,451	U	11,160	10,557	0.17%	0.06%	0.33%	0.32%
U.S. Postal Service	FASB	U	28,488	22,212	U	72,817	71,917	0.19%	0.15%	<b>2.14%</b>	<b>2.18%</b>

**Legislative Branch**

Architect of the Capitol	FASAB	U	2,284.2	386.8	U	573.8	396.1	0.66%	0.00%	0.02%	0.01%
Capitol Preservation Fund	FASB	U	29.0	0.0	U	41.0	84.4	0.01%	0.00%	0.00%	0.00%
Congressional Budget Office	FASAB	U	6.6	3.3	U	37.0	37.4	0.00%	0.00%	0.00%	0.00%
Government Accountability Office	FASAB	U	105.6	97.5	U	501.1	511.5	0.00%	0.00%	0.01%	0.02%
Library of Congress	FASAB	U	1,701	1,258	U	766	755	0.15%	0.01%	0.02%	0.02%
Senate Restaurants Rev. Fund	FASB	U	1.7	0.9	U	11.0	11.1	0.00%	0.00%	0.00%	0.00%
U.S. Government Printing Office	FASB	U	411.0	233.1	U	720.4	704.4	0.06%	0.00%	0.02%	0.02%
U.S. House of Representatives	FASB	U	228.8	72.2	U	1,322.3	1,320.6	0.05%	0.00%	0.04%	0.04%

**Judicial Branch**

None 0 0 0 0

Total 14,853,105 14,566,283 3,404,495 3,298,807 100.00% 100.00% 100.00% 100.00%

Plus all other entities minus eliminations\* -13,356,605 -4,153,383 -737,295 -171,107

Total U.S. Government D 1,496,500 10,412,900 D 2,667,200 3,127,700

Source: All numbers derived from fiscal year 2006 agency financial statements (as published, prior to elimination entries).

**Shaded and bolded items denote where the more significant source of GAAP issues might arise.**

**\* Disclaimer: This is a rough illustration based on amounts from the most significant individual agency published financial statements. Actual results may vary after elimination entries and any other consolidating adjustments.**

1,086,847	FBWT	*
3,577,816	Investments in Treasury Securities	
47,816	Accounts Receivable	
10,806	Regulatory Assets	
8,540,195	Due from the General Fund	
<u>13,263,480</u>	Asset Eliminations	
3,673,117	Federal Debt and Int Payable	
506,496	Accounts Payable	
<u>4,179,613</u>	Liability Eliminations	

## Project Background

### *Prior to March 2007*

Since October 1999, the American Institute of Certified Public Accountants (AICPA) has recognized the Federal Accounting Standards Advisory Board (FASAB) as the standard-setting body for federal governmental entities; therefore, the pronouncements resulting from the FASAB process represent generally accepted accounting principles (GAAP) for the entire federal government (FASAB GAAP). Nevertheless, some federal entities follow GAAP for non-governmental 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.

This project was initiated in January 2006 after the topic was considered a top 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 (ITC) on the four projects selected by the Board for consideration.

Prior to the March 2007 Board meeting, staff had completed the first two phases in the proposed project plan – “Select 10 federal entities that are following the FASB GAAP hierarchy” and “Complete profiles of the 10 federal entities with respect to each entity’s mission, structure, operations and size based on revenue, sources of financing, SFFAC 2 conclusive and indicative criteria for including components in a reporting entity, and significant accounting policies.” (See the box above).

### *March 2007*

At the March 22, 2007, FASAB board meeting, staff presented a project plan and background information that included entity profiles and excerpts from financial statements for the following ten federal entities that have historically followed FASB GAAP: 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, and U.S. Mint (the Mint switched to FASAB GAAP beginning with its fiscal year 2005 financial statements).

Staff outlined a number of possible outcomes of the project and the pros and cons of each option, provided a draft project timeline, and requested Board input on the next proposed phase in the project – “Analyze and document similarities and differences that might prove helpful in developing

### Proposed Project Approach

Task	Completion Date (Estimated)
1. Select 10 federal entities that are following the FASB GAAP hierarchy.	January 2006 (see Tab 2)
2. Complete profiles of the 10 federal entities with respect to each entity's mission, structure, operations and size based on revenue, sources of financing, SFFAC 2 conclusive and indicative criteria for including components in a reporting entity, and significant accounting policies.	March 2007 (see Tab 2)
3. Analyze and document similarities and differences that might prove helpful in developing guidance on which source of GAAP is most appropriate.	April 2007
4. Recommend a course of action for the Board to take at the next Board meeting (most likely one of the potential options described above or a combination thereof).	May 2007
5. Present draft of appropriate staff or Board document, if applicable, depending on the approach selected by the Board.	September 2007
6. Follow applicable due process if an official document is deemed necessary.	As deemed necessary

guidance on which source of GAAP is most appropriate.” The Board approved additional research on the project at that time.

#### ***May 2007***

At the May 24, 2007, meeting, staff provided an analysis of various characteristics of the ten entities that were profiled in the March 2007 briefing materials. The characteristics that staff reviewed were grouped into the following eight categories: (A) General Profile of the Entities; (B) Size of the Entity; (C) Likely Users of the Financial Statements; (D) Title of General Purpose Federal Financial Report; (E) Financial Statements Presented; (F) Main Line Items; (G) Compliance with FASAB Standards and USSGL Requirements; and, (H) Primary Differences between FASAB Standards and FASB Standards. From the population of characteristics contained in the eight areas listed above, staff selected 16 characteristics that it deemed most relevant to the determination of the appropriate source of GAAP. Using those 16 characteristics, staff provided a draft framework for determining which source of GAAP would be more appropriate for a given entity utilizing a non-weighted scoring mechanism (see page A-17 of staff’s September 2007 issue paper at <http://www.fasab.gov/projectsqaap.html> for the characteristics reviewed).

At the May meeting, staff also provided feedback from the user community in the form of a brief survey that was circulated to the preparers and auditors of the ten selected entities to provide information on the expected benefits and perceived costs and burdens associated with various approaches to resolving any concerns regarding the source of GAAP. Staff summarized the sense of the comments received from the respondents, which were generally not in favor of converting from FASB GAAP to FASAB GAAP.

After discussion of the options, the Board directed FASAB staff to coordinate with GAO, OMB, and Treasury on potential solutions to the issue and, if possible, come back to the Board with a draft framework that could be used to determine the appropriate source of GAAP for federal entities.

#### ***July 2007***

As directed by the Board at the May meeting, FASAB staff met with representatives from GAO, OMB, and Treasury on July 11, 2007, to attempt to come to an agreement on how to address the issue.

#### ***September 2007***

At the September 20, 2007 meeting, staff briefed the Board on the results of the July meeting of the workgroup. Staff summarized the workgroup’s recommendation, which is to (1) permit entities currently following GAAP set by the FASB to continue to do so but require that they present in their individual financial statements an audited footnote reconciliation of the differences between FASB GAAP and FASAB GAAP that would support the numbers submitted to Treasury via the Governmentwide Financial Report System (GFRS) for the consolidated Financial Report of the U.S. Government (CFR); and (2) revoke the “grandfather authority” that allowed entities to comply with FASAB GAAP by continuing to directly follow the FASB hierarchy. Staff noted that there was not widespread support from the sponsors for requiring full conversion to FASAB standards at this time so the recommendation does not address primary reporting at the component entity level.

Staff stated that in addition to the workgroup recommendation, there are other potential options that the members have to address the issue. Staff referred to the three options contained in the September briefing paper:

- Option A – Take no action
- Option B – Implement workgroup recommendation
- Option C – Initiate FASAB project to address specific differences

The majority of the Board requested that staff further develop Option B (implement workgroup recommendation) but include additional information about financial statement user requirements for entities that are preparing FASB-based statements. Some members also requested to see a draft survey requesting cost information about the proposed changes to component level reporting, an assessment of the indirect impact on the legislative and judicial branches, and more information on whether entities that begin preparing financial statements for the first time should be permitted to prepare FASB-based financial statements under certain conditions (see updated project approach below).

#### Updated Project Approach (Nov. 2007)

Task	Completion Date (Estimated)
1. Select 10 federal entities that are following the FASB GAAP hierarchy.	January 2006
2. Complete profiles of the 10 federal entities with respect to each entity's mission, structure, operations and size based on revenue, sources of financing, SFFAC 2 conclusive and indicative criteria for including components in a reporting entity, and significant accounting policies.	March 2007
3. Analyze and document similarities and differences that might prove helpful in developing guidance on which source of GAAP is most appropriate.	April 2007
4. Recommend a course of action for the Board to take at the next Board meeting (most likely one of the potential options described above or a combination thereof).	May 2007
5. Develop Option B (implement workgroup recommendation) and include additional information about financial statement user requirements for entities that are preparing FASB-based statements. Prepare draft survey requesting cost information about the proposed changes to component level reporting.	January 2008
6. Present draft of appropriate staff or Board document, if applicable, depending on the approach selected by the Board.	Second Quarter 2008
7. Follow applicable due process if an official document is deemed necessary.	Fourth Quarter 2008



**Results of GAO’s Work  
(continued)**

**Percentage of Federal Entities Included in the Federal Budget Whose Financial Statements Are Statutorily Required to Be Audited**

Category of federal entities	Number of federal entities	Number of federal entities statutorily required to be audited	Percentage of category statutorily required to be audited
Executive branch entities			
CFO Act entities	24	24	100.0
Accountability of Tax Dollars Act entities	76	76	100.0
Government Corporation Control Act entities	16 <sup>a</sup>	16	100.0
Other independent entities and other defense - civil programs	24	15 <sup>b</sup>	62.5
Subtotal: executive branch entities	140	131	93.6
Legislative branch entities <sup>c</sup>	13	3	23.1
Judicial branch entities	8	0	0.0
<b>Total</b>	<b>161</b>	<b>134</b>	<b>83.2</b>

Source: GAO.

<sup>a</sup> This amount does not include eight of the 24 Government Corporation Control Act entities. Although statutorily required to be audited, these entities are not included in the federal budget. Seven of the 8 are government-sponsored enterprises that are private companies and their securities are not backed by the full faith and credit of the federal government and 1 entity is funded from Federal Home Loan banks' contributions.

<sup>b</sup> Of the remaining 9 federal entities or programs, there is no statutory requirement for 2. For the other 7 entities, our research could not confirm whether or not a statutory requirement exists because of the limited description of the entity or program.

<sup>c</sup> Of the 10 legislative branch entities that are not statutorily required to have their financial statements audited, GAO, the Library of Congress, and the Architect of the Capitol (balance sheet only) voluntarily have their financial statements audited. In addition, the U.S. Senate voluntarily receives audits for parts of its operations such as the Senate restaurants.

Source: GAO-05-1024R - Federal Entities Financial Audits, available online at [www.gao.gov/new.items/d051024r.pdf](http://www.gao.gov/new.items/d051024r.pdf).



Results of GAO’s Work  
(continued)

Percentage of Reported Net Outlays for Federal Entities Included in the Federal Budget Whose Fiscal Year 2004 Financial Statements Were Subjected to Audit\* (dollars in millions)

Category of federal entities	FY 2004 net outlays <sup>a</sup>	FY 2004 net outlays for federal entities included in the federal budget whose financial statements were subjected to audit	Percentage of FY 2004 net outlays by category of federal entities included in the federal budget whose financial statements were subjected to audit
Executive branch entities			
CFO Act entities	\$2,630,341	\$2,630,341	100.0
Accountability of Tax Dollars Act entities <sup>c</sup>	58,741	58,190	99.1
Government Corporation Control Act entities <sup>d</sup>	12,398	12,398	100.0
Other independent entities and other defense civil programs	85,761	80,250	93.6
Subtotal: executive branch entities	\$2,787,241	\$2,781,179	99.8
Legislative branch entities <sup>e</sup>	3,910	3,077	78.7
Judicial branch entities	5,694	0	0.0
<b>Total</b>	<b>\$2,796,845</b>	<b>\$2,784,256</b>	<b>99.5</b>

Source: Budget of the United States Government, Fiscal Year 2006, Appendix and GAO.

\* Certain federal entities, although subject to audit, received disclaimers of opinion on their fiscal year 2004 financial statements.

<sup>a</sup> Net outlays represent gross outlays net of offsetting collections.

<sup>c</sup> The unaudited net outlays totaling about \$551 million (\$58,741 - \$58,190) relate to the 12 federal entities exempted by OMB and 9 additional federal entities that did not prepare fiscal year 2004 financial statements and have them audited.

<sup>d</sup> The Government Corporation Control act lists 24 government corporations. Seven of the listed entities under the act are not included in the federal budget. They are treated as government-sponsored enterprises that are private companies and their securities are not backed by the full faith and credit of the federal government. Another entity is not included in the federal budget because it is solely a financing vehicle and is funded from Federal Home Loan banks' contributions. The reported \$12,398 million of net outlays relate to 16 government corporations that are included in the federal budget.

<sup>e</sup> The \$3,077 million of net outlays subjected to audit does not include net outlays of \$688 million related to the U.S. Senate, parts of which were subjected to audit but are not separately identified in the federal budget.

## Yearend Closing Statement Summary

Department	Reimbursements Earned And Refunds	Unfilled Customer Orders	Undelivered Orders And Contracts	Accounts Payable And Other Liabilities	Unobligated Balance
Legislative Branch	199,273,909.19	71,694,141.20	627,745,556.99	455,850,888.39	1,680,376,464.62
Judicial Branch	218,990,165.76	-----	506,582,102.06	454,417,673.62	1,081,260,077.65
Department Of Agriculture	2,437,946,041.75	1,145,644,448.91	34,908,978,368.56	14,648,657,479.74	25,048,871,901.89
Department Of Commerce	134,841,870.02	179,195,224.57	5,025,370,901.80	984,983,073.06	1,431,962,669.93
Department Of Defense - Military	8,788,074,786.68	40,278,149,780.95	267,769,443,555.23	41,727,214,226.44	76,630,881,498.39
Department Of Education	1,049,907.68	33,427,129.35	60,101,827,601.06	3,062,922,286.70	51,710,833,225.07
Department Of Energy	782,268,755.44	3,317,615,667.14	11,338,636,509.54	6,617,864,362.65	25,630,412,814.83
Department Of Health And Human Services	5,616,732,726.19	4,444,295,468.54	78,081,043,436.22	67,287,596,827.39	362,301,909,796.35
Department Of Homeland Security	538,496,116.93	2,217,631,478.66	37,299,196,187.53	7,458,102,558.07	17,917,529,177.31
Department Of Housing And Urban Development	292,252,678.10	30,807,286.00	72,353,853,766.03	1,634,307,410.46	52,760,258,647.80
Department Of The Interior	911,739,034.60	718,534,994.01	7,197,635,106.43	1,657,371,895.15	9,782,895,998.12
Department Of Justice	889,419,311.88	644,479,107.61	8,434,228,547.48	3,523,283,843.67	4,888,744,930.00
Department Of Labor	1,228,810,146.28	123,000.00	5,825,386,770.47	2,428,990,999.50	84,217,720,258.55
Department Of State	432,229,293.06	3,466,825.74	9,955,344,224.28	1,009,614,762.74	18,487,948,193.98
Department Of Transportation	16,950,279,115.23	1,379,004,604.45	67,604,513,061.76	23,010,774,123.72	52,411,436,980.06
Other Defense Civil Programs	166,263.26	-----	3,833,485,871.80	40,864,605.54	287,959,246,301.52
Department Of Veterans Affairs	329,713,879.00	2,236,139,221.59	4,762,952,174.73	6,128,447,163.52	20,428,646,387.47
Department Of The Treasury	229,520,667.20	379,836,825.89	15,783,419,206.61	1,544,822,455.39	76,061,178,406.09
Corps Of Engineers	2,324,055,868.07	4,494,617,598.55	4,423,457,246.70	1,043,512,101.41	12,913,442,413.34
Executive Office Of The President	278,412.24	7,754,526.30	4,121,754,377.21	228,882,156.68	514,169,905.99
General Services Administration	1,492,213,986.89	5,264,491,225.05	5,201,487,463.05	2,164,287,028.94	6,139,014,566.00
Environmental Protection Agency	148,910,315.46	581,341,064.93	10,006,566,762.02	990,407,569.43	6,013,822,475.82
International Assistance Program	193,536,342.67	37,059,282.87	92,048,391,995.88	2,515,427,066.98	48,920,084,793.98
National Aeronautics And Space Administration	181,176,157.36	203,856,578.91	5,783,417,768.66	1,849,325,117.11	2,350,868,985.32
National Science Foundation	37,529,586.87	89,400,551.85	7,338,623,666.06	408,717,076.42	203,543,351.51
Office Of Personnel Management	1,997,059,815.50	385,966,763.60	404,165,922.70	10,414,755,168.60	728,311,440,471.19
Small Business Administration	-----	793,662,555.50	6,503,495,988.73	104,651,429.51	7,671,027,060.54
Social Security Administration	2,071,474,631.82	-----	1,372,592,810.09	71,600,516,770.71	1,926,119,560,985.85
Other Independent Agencies	2,307,326,814.76	27,558,553.45	6,563,454,179.85	3,985,341,877.03	104,874,264,647.66
Total	50,735,366,599.89	68,965,753,905.62	835,177,051,129.53	278,981,909,998.57	4,014,463,373,386.83

Source: 2006 Year-End Closing Statement, available online at <http://fms.treas.gov/annualreport/cs2006/tbj.pdf>.

Appendix 4 includes a complete list of executive agencies that are required to prepare financial statements under the *Chief Financial Officers Act of 1990 as expanded by the Government Management and Reform Act of 1994 (CFO/GMRA), the Accountability of Tax Dollars Act (ATDA), and the Government Corporation Control Act (GCCA)*.

**APPENDIX A**

**EXECUTIVE DEPARTMENTS AND AGENCIES SUBJECT TO THE CHIEF  
FINANCIAL OFFICERS (CFO) ACT REQUIRED TO PREPARE FINANCIAL  
STATEMENTS**

Department of Agriculture  
Department of Commerce  
Department of Defense  
Department of Education  
Department of Energy  
Department of Health and Human Services  
Department of Homeland Security  
Department of Housing and Urban Development  
Department of the Interior  
Department of Justice  
Department of Labor  
Department of State  
Department of Transportation  
Department of the Treasury  
Department of Veterans Affairs  
Agency for International Development  
Environmental Protection Agency  
General Services Administration  
National Aeronautics and Space Administration  
National Science Foundation  
Nuclear Regulatory Commission  
Office of Personnel Management  
Small Business Administration  
Social Security Administration

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APPENDIX B

COMPONENTS OF EXECUTIVE DEPARTMENTS AND AGENCIES REQUIRED TO  
PREPARE FINANCIAL STATEMENTS<sup>23</sup>

Department of Agriculture

Food and Nutrition Service  
Forest Service  
Rural Development Mission Area

Department of Defense

Department of Army General Funds  
Department of Navy General Funds  
Department of Air Force General Funds  
Military Retirement Fund  
U.S. Army Corps of Engineers Civil Works Program  
Department of Army Working Capital Fund  
Department of Navy Working Capital Fund  
Department of Air Force Working Capital Fund

Department of Health and Human Services

Centers for Medicare & Medicaid Services

Department of Transportation

Federal Aviation Administration

Department of the Treasury

Internal Revenue Service

Office of Personnel Management

Civil Service Retirement and Disability Fund  
Federal Employees Health Benefits Program  
Federal Employees Life Insurance Program

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<sup>23</sup> The requirement for components to prepare financial statements may be satisfied by presenting the components separately in consolidating agency-wide financial statements and conducting an audit, in accordance with this Bulletin, at the consolidating financial statement level.

APPENDIX C  
(Page 1 of 2)

**EXECUTIVE AGENCIES SUBJECT TO THE ACCOUNTABILITY OF TAX DOLLARS  
ACT REQUIRED TO PREPARE FINANCIAL STATEMENTS**

Advisory Council on Historic Preservation  
African Development Fund  
Appalachian Regional Commission  
Architectural and Transportation Barriers Compliance Board  
Armed Forces Retirement Home  
Barry Goldwater Scholarship and Excellence in Education Fund  
Broadcasting Board of Governors  
Central Intelligence Agency  
Chemical Safety and Hazard Investigation Board  
Christopher Columbus Fellowship Foundation  
Commission on Civil Rights  
Commission of Fine Arts  
Commission for the Preservation of America's Heritage Abroad  
Committee for Purchase from People Who Are Blind or Severely Disabled  
Commodities Futures Trading Commission  
Consumer Product Safety Commission  
Court Services and Offender Supervision Agency for DC  
Defense Nuclear Facilities Safety Board  
Delta Regional Authority  
Denali Commission  
Equal Employment Opportunity Commission  
Farm Credit Administration  
Farm Credit System Insurance Corporation  
Federal Communications Commission  
Federal Election Commission  
Federal Financial Institutions Examination Council Appraisal Subcommittee  
Federal Housing Finance Board  
Federal Labor Relations Authority  
Federal Mediation and Conciliation Service  
Federal Mine Safety and Health Review Commission  
Federal Retirement Thrift Investment Board  
Federal Trade Commission  
Harry S. Truman Scholarship Fund  
Institute of American Indian and Alaska Native Culture and Arts Development  
Institute of Museum and Library Services  
Inter-American Foundation  
James Madison Memorial Fellowship Foundation  
Japan-U.S. Friendship Commission

**APPENDIX C**  
**(Page 2 of 2)**

**EXECUTIVE AGENCIES SUBJECT TO THE ACCOUNTABILITY OF TAX  
DOLLARS ACT REQUIRED TO PREPARE FINANCIAL STATEMENTS**

Marine Mammal Commission  
Merit Systems Protection Board  
Morris K. Udall Scholarship and Excellence in National Environmental  
Policy Foundation  
National Archives and Records Administration  
National Capital Planning Commission  
National Commission on Libraries and Information Science  
National Council on Disability  
National Credit Union Administration  
National Endowment for the Arts  
National Endowment for the Humanities  
National Labor Relations Board  
National Mediation Board  
National Transportation Safety Board  
Nuclear Waste Technical Review Board  
Occupational Safety and Health Review Commission  
Office of Government Ethics  
Office of Navajo and Hopi Indian Relocation Commission  
Office of Special Counsel  
Peace Corps  
Presidio Trust  
Railroad Retirement Board  
Securities and Exchange Commission  
Selective Service System  
Smithsonian Institution (SI)  
SI/John F. Kennedy Center for the Performing Arts  
SI/National Gallery of Arts  
SI/Woodrow Wilson International Center for Scholars  
Trade and Development Agency  
U.S. Court of Appeals for Veterans Claims  
U.S. Holocaust Memorial Museum  
U.S. Interagency Council on Homelessness  
U.S. International Trade Commission  
Vietnam Education Foundation  
White House Commission on the National Moment of Remembrance

**APPENDIX D**

**GOVERNMENT CORPORATIONS REQUIRED TO PREPARE FINANCIAL  
STATEMENTS**

Commodity Credit Corporation  
Community Development Financial Institutions Fund  
Corporation for National and Community Service  
Export-Import Bank of the United States  
Federal Crop Insurance Corporation  
Federal Deposit Insurance Corporation  
Federal Home Loan Banks  
Federal Housing Administration Fund  
Federal Prison Industries, Incorporated  
Financing Corporation  
Government National Mortgage Association  
Millennium Challenge Corporation  
National Credit Union Administration Central Liquidity Facility  
Overseas Private Investment Corporation  
Pension Benefit Guaranty Corporation  
Rural Telephone Bank  
Resolution Funding Corporation  
Saint Lawrence Seaway Development Corporation  
Tennessee Valley Authority