

**From:** Cummings, Joseph D (OIG/OAS)  
**Sent:** Thursday, January 31, 2013 3:21 PM  
**To:** Payne, Wendolyn M; FASAB  
**Cc:** Daly, Kay L (OIG/OAS); Holmberg, Eric R (OIG/OAS)  
**Subject:** Comments on the one-year deferral of SFFAS No. 36

Hi Wendy:

The Department of Health and Human Services (HHS) Office of Inspector General would not oppose the one-year deferral of the effective date for Statement of Federal Financial Accounting Standard (SFFAS) No. 36 "Comprehensive Long-Term Projections for the Federal Government," which would transition the statement presenting long-term projections for the U.S. Government from required supplementary to basic information. Ernst & Young, the auditor of the annual HHS and Center for Medicare and Medicaid Services (CMS) Consolidated Financial Statements has disclaimed on the Statements of Social Insurance (SOSI) since 2010. The passage of the Patient Protection and Affordable Care Act (ACA) significantly impacted the projections embodied in the 2010, 2011, and 2012 Annual Reports of the Board of Trustees of the Federal Hospital Insurance and the Federal Insurance Trust Funds (Trustees Report). CMS uses the Trustees Report to prepare the SOSI, and the SOSI is prepared in accordance with current law. In his opinion, the Chief Actuary for CMS noted uncertainties regarding the projections in the Trustees Reports and reflected concerns that provisions within ACA are not sustainable or will, based on prior patterns, likely be modified. These estimates in the SOSI, now based on current law, are subject to this ongoing uncertainty and may not reflect management's most reasonable estimate.

The objective of the American Institutes of Certified Public Accountants (AICPA) Auditing Standards Board (ASB) Prospective Information Task Force (task force) is to develop guidance for certified public accountants engaged in auditing prospective information due to current and proposed accounting standards that require this reporting. The AICPA defines prospective financial statements as "either financial forecasts or financial projections including summary of significant assumptions and accounting policies." The Federal Accounting Standards Advisory Board's proposed deferral of the effective date of SFFAS No. 36 until the task force provides additional audit guidance and any needed reporting language for prospective information would seem prudent.

From a broader government prospective, a bigger issue is the lack of guidance to determine how long-term projections will be covered in the auditing standards. Also, questions arise on whether other agencies have processes in place to report projections similar to those processes used for the Social Insurance Programs. Table 1 on Page 118 of the Fiscal Year 2012 Consolidated Financial Report of the U.S. Government reflects the 75-year present value for individual income taxes and other receipts. A majority of the audit work would occur at Treasury. However, if other receipts are directly remitted to other agencies, a determination will be needed on those receipts that are considered significant and if they are ready to be audited. This basic concept would

apply to all discretionary and mandatory spending. The task force was formed to develop audit guidance and report language for all prospective information, not just those projections provided for social insurance programs. The proposed deferral for the effective date of SFFAS No. 36 would again seem prudent until the task force provides the needed audit guidance and any audit report language.

We thank the Federal Accounting Standards Advisory Board for the opportunity to comment on the deferral of the effective date of SFFAS No. 36. If you have any questions, please do not hesitate to contact me.

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