

From: Alexis Stowe

Sent: Saturday, August 20, 2011 12:10 PM

To: FASAB

Subject: GSA Comments on FASAB ED Amending SFFAS 27

Dear FASAB,

Attached are the General Services Administration's (GSA's) comments on the FASAB Exposure Draft amending SFFAS 27. Thank you for the opportunity to provide comments.

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**GSA Consolidated Comments and Recommendations on
Amending FASAB SFFAS 27 - Revisions to Identifying and Reporting Earmarked Funds**

Question #	Para No.	SUBJECT/TITLE (FASAB Exposure Draft on Revisions to Identifying and Reporting Earmarked Funds: Amending Statement of Federal Financial Accounting Standards 27)	Yes	No	RECOMMENDATIONS/COMMENTS
Q1	6 & A11-A12	The Board is proposing amendments to state explicitly that the source of the "specifically identified revenues or other financing sources" in paragraph 11 of SFFAS 27 must be external to the federal government, and to clarify the distinction between earmarked funds and the general fund. This issue is discussed in paragraphs A11 - A12 of the Basis for Conclusions. The proposed amendment to paragraph 11.1 of SFFAS 27 can be found in paragraph 6 of this exposure draft. Do you agree or disagree with the proposed amendment? Please provide the rationale for your answer.	Y		Yes, we agree that further distinction is appropriate and provides a much greater focus on funding sources being from the non-Fed collections as discussed in the basis for conclusions. However, with the insertion of the word "originally" into the first criteria under paragraph 11 (and further discussed in the footnote 3a), it is unclear whether this is also intended to imply that funds collected need to have originated from non-federal sources. This can be relevant in an instance of a special fund GSA operates, which receives collections from non-federal vendors that are refunds of federal overpayments. The related program only exists to recover these overpayments from transportation carriers who operate on complex tariff and freight shipping terms, with invoicing that is prone to erroneous payment. As the source of funds collected originated from Federal agencies payments, it could be argued that the new language excludes such a fund from SFFAS 27 reporting requirements, even though its nature is otherwise like funds with dedicated collections covered by the standard. Though immaterial to G

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Q2	10 & A15-A16	The Board believes that funds established to account for pensions, other retirement benefits, other post-employment benefits, and other employee benefits provided to federal employees (civilian and military) should not be reported as earmarked funds and is proposing that such funds should be excluded from the category of earmarked funds. This issue is discussed in the Basis for Conclusions, paragraphs A15 - A16. The proposed amendment to paragraph 18 of SFFAS 27 can be found in paragraph 10 of this exposure draft. Do you agree or disagree with this exclusion? Please provide the rationale for your answer.	Y		We concur that the current reporting requirements related to earmarked funds are not appropriate for these funds. However, we believe the underlying nature of many of these funds, relying significantly on dedicated non-Federal collections; with clear limitations surrounding their use does warrant unique disclosure, and likely line item presentation in the display of statements of these funds.

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Q3	11 & A17-A20	<p>The Board is proposing that component entities would have the option to continue to use the existing format of separate lines or columns to display information on earmarked funds on the face of the balance sheet and statement of changes in net position, or to use an alternative format. Some members question the need for component entities to display information on earmarked funds on the face of the balance sheet and statement of changes in net position. The Board is also proposing that the component entity level reporting should be at a sufficient level of detail to support the U.S. government-wide financial statements. The discussion of this issue may be found in the Basis for Conclusions, paragraphs A17 - A20 and the proposed amendments in paragraph 11. Illustrative financial statements may be found in Appendix F.</p> <p>(a) Do you agree or disagree with the proposal to provide an option for an alternative format for component entity reporting of earmarked funds? Please provide the rationale for your answer.</p>		N	<p>Disagree. We prefer a standard way to present dedicated collections if material to the financial statements; however, we request flexibility be provided to permit presentation of such data in the footnote disclosures.</p>

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Q3	11 & A17-A20	(b) Do you agree or disagree with the view of some of the members that component entities should not be required to display information on earmarked funds on the face of the balance sheet and statement of changes in net position and that disclosure in the notes is sufficient? Please provide the rationale for your answer.	Y		We concur with the task force positions stated in paragraph A17, believing that in many cases, dedicated collections information is best presented in a footnote disclosure rather than the face of the financial statements. The normal reader of financial statements may or may not understand what is truly being presented. We recommend that the current SFFAS 27 requirements for segregation on earmarked funds in statement presentation be removed. We believe the nature of these funds with dedicated collections should be a significant element of management consideration in determining display; however it should just be one of the factors, such as materiality of balances and public interest that traditionally drive decisions on sub-entity presentation of statements and line item segregation of balances. Clearly, there are very significant Federal programs and funds with dedicated collections that do warrant unique presentation. However, there are many funds that will meet the definitions prescribed in the draft, but do not carry balances significantly material, nor a constituency of readers to warrant

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Q3	11 & A17-A20	(c) Do you agree or disagree with the proposal that the component entity level reporting should be in sufficient detail to fully support the government-wide reporting requirements? Please provide the rationale for your answer.		N	<p>We believe that further clarity is needed in this regard. As Treasury has the responsibility for government-wide reporting, they place reporting requirements on agencies to provide data in support of materiality at the government-wide level. In many cases, items at the government-wide level may be material, but could be very insignificant at a component level. It has been argued that agency component financial statement presentations and disclosures must contain all data that might need to be an element of government-wide reporting, resulting in the government-wide statement being the driver for making determinations regarding the presentation of component-level statements and disclosures, regardless of materiality. This position creates undue hardships on agencies to maintain records and provide displays and disclosures of immaterial items irrelevant to its readers. Accordingly, requirements in this area should be limited to requiring agencies to capture necessary detail for reporting to Treasury, however it should not create a separate reporting requirement for co</p>

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Q4	11-12 & A21-A25	The Board proposes to rescind potentially confusing guidance on eliminations for component entities and instead provide that combined or consolidated amounts are permitted and that amounts be labeled accordingly. The discussion of this issue may be found in the Basis for Conclusions, paragraphs A21 - A25 and the proposed amendments in paragraphs 11 - 12. Do you agree or disagree with this proposed amendment? Please provide the rationale for your answer.	Y		We agree with the Board proposal, as there has been great confusion in this regard, and further believe combined presentation of balances is more appropriate than consolidating, as the concepts, purposes, and resulting data supporting eliminations of earmarked fund activity is not well understood, or effects comprehended by normal readers of financial statements.
Q5	4-5 & A6-A8	The Board proposes to replace the term "earmarked funds" with "funds from dedicated collections." This issue is addressed in the Basis for Conclusions, paragraphs A6 - A8 and the proposed amendments in paragraphs 4 - 5. To facilitate review, Attachment B displays the text of SFFAS 27 with proposed amendments, including the new term. Do you agree or disagree with the Board's proposal to rename "earmarked funds" and make conforming grammatical changes in SFFAS 27? Please provide the rationale for your answer.	Y		We agree that providing a new title will help prevent confusion with the other budgetary usage of the earmarked term. We further suggest that "Funds With Dedicated Collections" may be more appropriate to define a fund or group of fund accounts (generally identified as unique TAS accounts). The term funds from dedicated collections seem to be more appropriate to describe a type of cash flows rather than a class of fund accounts.

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Q6	7 & A13-A14	The following question applies to funds with a combination of (a) revenues and other financing sources that meet the criteria in paragraph 11 of SFFAS 27 ("non-federal") and (b) general fund appropriations ("federal"). The Board proposes that to be classified as an earmarked fund, a fund should be predominantly funded by revenues from non-federal sources or have non-federal revenues supporting the fund that are material to the reporting entity. The Board has also proposed guidance for situations where the proportion of funding sources may change from year to year. This issue is discussed in the Basis for Conclusions, paragraphs A13 - A14. The proposed revised guidance is in paragraph 7. Do you agree or disagree with the proposed guidance on funds with such sources of funding? Please provide the rationale for your answer.	Y		Yes, we agree with the proposal as it addresses year-to-year changes that could create undue inconsistencies in report presentation, create significant confusion to readers, and add significant additional work on financial statement preparers and the audit community. This issue further provides another reason to support presenting dedicated collection data in footnote disclosures rather than the financial statements. Without having read the footnote disclosure to determine what funds are new to the classification or are no longer considered dedicated collection funds, comparable data will be difficult to interpret accurately. If all presented together as a footnote, the reader would have all necessary information readily available.
Q7		The Board is proposing that the amendments to SFFAS 27 have an effective date of periods beginning after September 30, 2011. Do you agree or disagree with this effective date? Please provide the rationale for your answer.	Y		Yes, agree. We do not believe this to be a significant impact to GSA for FY 2012 as today our dedicated collection balances are immaterial.