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Ms. Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 6814
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Washington, D. C. 20548

Dear Wendy,

I have read the Exposure Draft *Federal Financial Reporting*. I find it to be a statement to educate the Board as to what exists now, and not a conceptual framework for identifying the goals and purposes for Federal financial reporting that is sufficient for the subsequent development of accounting and reporting standards.

For example, the Exposure Draft includes a section about the concepts of budgetary information presented in component financial statements and RSI, but does not state how the concepts should be displayed to provide the information identified as desired in Paragraphs A14 and A17. The section titled Performance Results states “cost is a component of efforts, efficiency, and effectiveness and measuring cost is a function of accounting and the financial reporting system.” Where are the concepts for how to display those relationships?

Also, Paragraphs A6, A11, and A14a and c recognize the desire for information regarding the cost of programs. Paragraph 15 state that the Board would develop conceptual, ideal models that integrate budget, cost, and service performance information; The ED does not address the presentation of cost information. More important, there is no inkling of the structure of the conceptual, ideal model.

I therefore conclude that this Statement of Federal Financial Accounting Concept will not give the Board a better feel for how to fulfill the reporting objectives than it will have had prior to the Statement’s release.

Finally, the time of agency personnel and others between September 29, 2017 and January 6, 2017, the timeframe FASB has provided for responses to this ED, will be consumed by year-end closings and Holiday activities. Persons affected by this Statement and who would like to provide responses will probably not be able to give the ED the attention an ED of this nature merits.

The following are my answers to the seven questions that support the above conclusion. If the Board proceeds with issuance of a final Statement, I also provide comments on the individual paragraphs.

Q1. Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.

I agree with the discussion and illustration, but it should be enhanced by an identification of at least some of the many types of ORFI with information similar to the basic financial statement and RSI. For instance, considerable Legislative and Executive branch attention is being devoted to the issuance of “checkbook-level” financial information through usaspending.gov and implementation of the DATA Act. These practices should be mentioned and explained.

Another significant absence in the ED is any discussion of electronic reporting and how it would relate to the presentation of basic financial statements and RSI.

Q2. Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.

Financial Statement and RSI, Paragraphs 16-25, provides an extensive explanation of the differences in the basis of accounting, but little on the difference between basic financial statements and RSI. Readers are evidently supposed to understand the difference from the one example taken from Statement of Federal Financial Accounting Concept (SFFAC) No. 6. *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*. A better way to convey the difference would be to abstract the explanation in SFFAC No. 6, which is “Basic information is information which is essential for the financial statements and notes to be presented in conformity with GAAP. It is typically presented in financial statement and accompanying footnotes. RSI is information that a body that establishes GAAP requires to accompany basic information. It may be experimental in nature to permit the communication of information that is relevant and important to the reporting objectives while more experience is gained through resolution of accounting issues, it is information expressed with other than financial measures, or it is information that may not be subject to reliable estimation.”

Q3. Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.

The example of an ORFI in Paragraph 26 is a report on program performance. A better example would be a report that entails financial amounts. An example, as stated previously, would be the reporting mechanisms established by the Financial Transparency and Accountability Act, American Recovery and Reinvestment Act, and DATA Act since they entail reporting of financial amounts and therefore the opportunity for conflicts between the numbers reported in those systems and the amounts reported in basic financial statements and RSI.

Moreover, directives regarding performance reporting is not a good example of an ORFI. A statement of program performance measures is already suggested in SFFAC No. 2, *Entity and Display* (paragraph 74), and its importance emphasized in Footnote 13.

Q4. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.

No comment

Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.

Although the ED is appropriate in suggesting aggregating and categorizing information by strategic goal, it is not because aggregation and categorization of the financial information assists users in understanding the entity's progress achieving its goals. Acquiring that understanding requires information on program performance. The reason to aggregate by strategic goal is that in defining its strategic goals, an agency specifies its purposes. In aggregating and categorizing information by strategic goal, readers would be able to understand how much is expended attempting to achieve those purposes and whether the amounts spent are commensurate with the program performance for those purposes.

Q5. Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.

Paragraphs 49-56 explain some elements of the Federal government budget, but do not present concepts for component reporting of budgetary information. Concepts for component reporting of budgetary information, as it is presently done, are presented in SFFAC No. 2. The ED does not provide any new concepts for how to report budgetary information, such as how much budget resources made available for a program have been used and how much are still available.

Q6. Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.

Paragraphs 57 to 62 states that concepts for presenting performance information are in SFFAC No. 1, paragraphs 192-210. They are also in SFFAC No. 2, paragraphs 106-111. They do not present any new concepts for presenting performance results information.

Q7. Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.

It is not clear as to whether Paragraphs 63-70 are supposed to be conceptual guidance for the Summary of Performance and Financial Information that Federal agencies are required to issue; or summaries in general. For instance, Paragraph 68g states summary level information assists users in assessing challenges facing the entity. This is information typically not included in financial statements or RSI. Paragraph 68c refers to basic performance goals and results, without differentiating them from non-basic performance goals and results. There is no identification of what the trend information, required by paragraph 68i, would be for.

Comments on Individual Paragraphs

1. Page 12. The fourth box lists the information presented in the Management's Discussion and Analysis. The contents of the box should be made consistent with the requirements listed in Statement of Federal Financial Accounting Standards (SFFAS) No. 15, *Management's Discussion and Analysis*, paragraphs 2 and 3.
2. Page 12. Explain what is meant by "transparency data" listed in the sixth box.
3. Page 13, paragraph 12. SFFAS No. 1 states that users of Federal financial information are also concerned about whether future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due. This should be added to the bulleted list.
4. Page 15, paragraph 21. The second sentence is not entirely correct. The government frequently provides services in the current period and pays the bills in a future period. In these instances, resources are not consumed until the future period.
5. Page 15, paragraph 23. The paragraph describes only the expenditure of budget receipts. It should also describe the accounting for the receipt of appropriations.
6. Page 16, paragraph 29. The paragraph states that narrative descriptions or visual representations may enhance users' understanding of the financial statements, RSI, and ORFI.... It does not state where these narrative descriptions or visual representations would be presented.
7. Pages 16 and 17, paragraphs 26, 30, and 31. I do not understand why some OFRI is addressed in paragraph 26, and some four and five paragraphs later in paragraphs 30 and 31.
8. Page 17 and 17, paragraph 37. It is unclear whether this paragraph describes what is currently provided or what the ED proposes should be provided. For instance, the government-wide financial report does not report the government's performance (subparagraph b). Nor does it report the government's investment in productivity and economic growth during the period (stewardship investments) (subparagraph G).
9. Page 20, paragraph 46, 6th line. Delete the word "obligations." Agencies do not "incur" budget authority. Furthermore, incurring an obligation without having budget authority is illegal.
10. Page 21, paragraph 49. When agencies spend monies, they are spending against appropriations, not tax receipts. Hence budget execution does not monitor whether "tax receipts and other resources were used according to the purposes of provided budget authority;" it monitors whether appropriations were used according to the purposes of provided budget authority.

11. Page 21, paragraph 50. The first sentence describes the Budget Committees' process. The paragraph then jumps to the appropriations process, without specifying that this is a different process. Hence, the inference is that appropriations are based on the Budget Committees' resolution, which they typically are not.
12. Page 22, paragraph 57. Financial statements and RSI do not currently provide information that assist users in assessing the accomplishments of services; efficiency and effectiveness of providing services; or changes in the performance of services over time. Perhaps the ED means "should provide."

I hope the above is useful. Please let me know if there will be a public hearing for this Exposure Draft.

Sincerely

Hal Steinberg

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