

**UNITED STATES POSTAL SERVICE
OFFICE OF INSPECTOR GENERAL**

**COMMENTS ON THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD'S
PROPOSED STATEMENT ENTITLED *REPORTING ENTITY***

The U.S. Postal Service Office of Inspector General appreciates the opportunity to comment on the Federal Accounting Standards Advisory Board's (FASAB) proposed Statement of Federal Financial Accounting Standards entitled *Reporting Entity*.

We reviewed the exposure draft and addressed question 5 in the document. We do not disagree with the remainder of the proposed Statement or have any suggestions for improving the text. The question, as shown in the exposure draft, is listed below, followed by our response.

Q5. For consolidation entities, the Statement proposes that FASAB and Financial Accounting Standards Board (FASB) based information be consolidated without conversion of FASB-based information to a FASAB basis. Do you agree or disagree that consolidation of FASAB and FASB based information without conversion for consolidation entities is appropriate? Please provide the rationale for your answers.

We agree with the FASAB's proposal that consolidation of FASAB and FASB based information without conversion is appropriate. The proposal is consistent with the FASAB's prior position on the matter.¹ Further, with respect to the Postal Service financial statements prepared in accordance with FASB standards, the FASAB standards have not had a material effect regarding changes prior to submitting financial information to the U.S. Department of the Treasury (Treasury) for the consolidated government-wide financial statements.

We noted paragraph 66 necessitates a component entity using FASB based information to disclose intragovernmental amounts measured in amounts in accordance with federal accounting financial standards to facilitate elimination entries in the government-wide financial statements. We believe this is an unnecessary condition. First, it results in financial statements presented with two accounting standards and, despite accompanying explanations, can be confusing to a reader. Also, after fiscal year end, federal entities must submit financial information to Treasury for the consolidated government-wide financial statements. The financial information must identify intragovernmental amounts, thus supplanting the need for entities using FASB based information to identify such amounts in their published financial reports.

¹ Statement of Federal Financial Accounting Standards 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

With implementation of this standard, there could exist a future conflict between it and Treasury's requisite. In recent years, the Treasury Financial Manual² has required agencies using FASB based accounting standards to convert to FASAB based standards prior to submitting financial information for consolidation in the government-wide financial statements. Should Treasury's requirement remain, the conflicting positions would need resolution. Various federal agencies, including the FASAB, might need to discuss and resolve the opposing requirements in favor of the proposed Statement.

Thank you for considering our input.

² | TFM 2-4700, Agency Reporting Requirements for the *Financial Report of the United States Government*, Subsection 4705.25.