



Federal Accounting Standards Advisory Board

**Deferral of the Effective Date of Reclassification of the Statement
of Social Insurance: Amending SFFAS 25 and 26**

Statement of Federal Financial Accounting Standards 28

January 6, 2005

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General, established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the Federal Government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, Federal executives, Federal program managers, and other users of Federal financial information. The proposed standards are published in an Exposure Draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statement of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for Federal accounting and reporting.

Additional background information is available from the FASAB or its website:

- ◆ “Memorandum of Understanding among the General Accounting Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board”
- ◆ “Mission Statement: Federal Accounting Standards Advisory Board”

Exposure drafts, Statements of Federal Financial Accounting Standards And Concepts, FASAB newsletters, and other items of interest are posted On FASAB’s website at: www.fasab.gov.

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Table of Contents

Summary	i
Introduction	1
Standards	2
Appendix A: Basis for Conclusions	3
Appendix B: SFFAS 26	5
Appendix C: Abbreviations	6

Summary

This standard defers for one year the effective dates of Statement of Federal Financial Accounting Standards (SFFAS) 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*, as well as SFFAS 26, *Presentation of Significant Assumptions for the Statement of Social Insurance: Amending SFFAS 25*. The provisions of these standards will be effective for periods beginning after September 30, 2005.

Introduction

1. In July of 2003, the Board issued SFFAS 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*. SFFAS 25 requires that the Statement of Social Insurance (SOSI) be presented as a basic financial statement. SFFAS 26¹, *Presentation of Significant Assumptions for the Statement of Social Insurance: Amending SFFAS 25*, requires disclosure of significant assumptions underlying the SOSI. Both statements were to be effective for periods beginning after September 30, 2004.
2. Three federal agencies – the Office of Management and Budget (OMB), the Social Security Administration (SSA) and the Department of Health and Human Services (HHS) -- requested that the implementation of SFFAS 25 and 26 be deferred for one year. Each agency cites the fact that audit guidance was not finalized in time to support the original implementation date.
3. While noting the importance of reclassifying SOSI and related disclosures, the Board agrees that the current effective date is not feasible in light of the delayed audit guidance. Therefore, the effective date is deferred for one year. For ease of reference, Appendix B presents the text of SFFAS 26 as amended by this standard.

¹ The relevant text of SFFAS 26 marked with amendments is presented as Appendix B.

Standards

Amendment of SFFAS 25

4. Par. 7 of Statement of Federal Financial Accounting Standards (SFFAS) 25 is amended as follows:

Chapter 8 and paragraphs 14-16 of SFFAS 8 are rescinded, as is the associated illustration of the Current Services Assessment in Appendix B of SFFAS 8, effective for reporting periods beginning after September 30, 2002. Information about Risk Assumed shall be presented as RSI for reporting periods beginning after September 30, 2002. ~~The information required by paragraphs 27(3) and 32(3) of SFFAS 17 shall be presented as a basic financial statement for periods beginning after September 30, 2004, with earlier implementation encouraged. Other information required by SFFAS 17 shall be presented as RSI, except to the extent that the preparer elects to include some or all of that information in notes that are presented as an integral part of the basic financial statements, for periods beginning after September 30, 2004.~~

Amendment of SFFAS 26

5. Par. 6 of SFFAS 26 is amended as follows:

~~Consistent with the effective date of SFFAS 25, this~~ This standard is effective for periods beginning after September 30, ~~2004~~ 2005.

Effective Date

6. This standard is effective upon issuance.

The provisions of this Statement need not be applied to immaterial items.

Appendix A: Basis for Conclusions

This appendix discusses factors considered significant by Board members in reaching the conclusions in this standard. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this statement---not the material in this appendix---govern the accounting for specific transactions, events or conditions.

7. The Board conferred with the AICPA regarding the need for audit guidance prior to issuing SFFAS 25. In late 2003, a task force of the AICPA was formed to develop audit guidance. An exposure draft of the guidance was issued by the AICPA in March 2004. The final guidance was not issued in sufficient time to prepare for the initial implementation date despite the extensive efforts of the AICPA.
8. The Board issued an exposure draft proposing this deferral on July 21, 2004. Comments were received from the following sources:

	FEDERAL (Internal)	NON-FEDERAL (External)
Users, academics, others		2
Auditors	2	1
Preparers and financial managers	5	

9. All ten respondents supported the proposed deferral.

Structure of the Amendment

10. SFFAS 25, par. 7 contained provisions concerning the SOSI as well as an effective date for the provisions. SFFAS 26 replaces the reclassification provisions of SFFAS 25 related to the SOSI and provides an effective date for the revised provisions. The amendments in this standard replace the prior effective dates concerning the SOSI reclassification and information in the prior statements with a new effective date of "periods beginning after September 30, 2005." Appendix B presents SFFAS 26 as amended by this standard.

Reasons for the Deferral

11. Agencies requesting the deferred implementation identified the following consequences of the delayed audit guidance:
 - a. Agency staff was not able to prepare for the audit process due to the uncertainty absent final audit guidance on the process.

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- b. Agency staff was engaged in deliberations with the AICPA task force and unable to begin tentative preparations for the audit.
 - c. Contracts for audit engagements have not been expanded to encompass the audit process to be required relative to the SOSI.
 - d. Funding for the expanded audit engagements could not be included in fiscal year 2005 budget submissions.
12. The Board believes that a one-year delay is reasonable, necessary and appropriate in light of the delayed audit guidance.

Board Approval

13. This statement was approved for issuance by all members of the Board.

Appendix B: SFFAS 26

Paragraphs 4 through 6 of SFFAS 26 are presented with the revisions included for ease of reference.

Amendment of SFFAS 25

4. Paragraph 6 of SFFAS 25 is rescinded.
5. The information required by paragraphs 27(3) and 32(3) of SFFAS 17 shall be presented as a basic financial statement rather than as required supplementary stewardship information (RSSI). The underlying significant assumptions shall be included in notes that are presented as an integral part of the basic financial statement. Other information required by SFFAS 17— including the sensitivity analysis required in par. 27(4) and 32(4)— shall be presented as required supplementary information, except to the extent that the preparer elects to include some or all of that information in notes that are presented as an integral part of the basic financial statements.

Effective Date

6. ~~Consistent with the effective date of SFFAS 25, this~~ This standard is effective for periods beginning after September 30, ~~2004~~ 2005.

The provisions of this Statement need not be applied to immaterial items.

Appendix C: Abbreviations

AICPA	American Institute of Certified Public Accountants
FASAB	Federal Accounting Standards Advisory Board
GAAP	Generally Accepted Accounting Principles
HHS	Department of Health and Human Services
RSI	Required Supplementary Information
RSSI	Required Supplementary Stewardship Information
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
SSA	Social Security Administration
SOSI	Statement of Social Insurance

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