

Federal Accounting Standards Advisory Board

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NEWS RELEASE

FASAB Releases Exposure Draft on Social Insurance

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), Tom Allen, announced today that the FASAB is seeking input on the exposure draft *Social Insurance Accounting, Revised*. Social Insurance comprises five programs; however, two programs, Social Security and Medicare, are of special significance because of the high rate of participation among citizens, the fiscal challenges related to the programs, and the challenges associated with incorporating estimates of future cash flows of this magnitude in financial statements.

Mr. Allen notes that “fundamental questions about social insurance programs can be addressed by financial reporting. The information provided as a result of this proposed standard should help users answer questions about social insurance commitments and the reasons these commitments change over time.”

From the outset of the social insurance project, members have agreed on the objectives of financial reporting for social insurance programs but have had different views about how best to achieve the objectives. Moreover, all members have supported several innovations. They have supported a new basic statement presenting changes in the amounts presented on the statement of social insurance. All members have supported new reporting on fiscal sustainability in the consolidated Financial Report of the United States Government. However, they have had different views about the timing of the recognition of expense and liability for social insurance programs.

Mr. Allen says that “this exposure draft represents a compromise. It proposes enhanced reporting but does not resolve the two strongly held views regarding when the obligating event occurs for social insurance programs and, thus, when the liability and expense definitions are met within those programs. However, the proposed standard will provide additional key information not currently provided

and links information from the statement of social insurance to other basic financial statements.”

The exposure draft requests comments by February 9, 2009. Respondents are encouraged to provide the reasons for their positions. The exposure draft in PDF format and the specific questions raised in Word format are available at the FASAB website (<http://www.fasab.gov/exposure.html>). In addition, the Board has tentative plans to hold a public hearing on the exposure draft at the April 22, 2009 meeting.

ABOUT FASAB

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to assess (1) the government's accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences of the allocation and various uses of federal resources. The FASAB issues federal accounting standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

For more information on FASAB, please visit our website: www.fasab.gov.