



Federal Accounting Standards Advisory Board

February 7, 2013

Memorandum

To: Members of the Board

From: Wendy M. Payne, Executive Director

Subj: **Transition to Basic Information for Long-Term Projections:
Comment Letters Received through February 7¹ – Tab B**

MEETING OBJECTIVE

- To discuss the responses received and review a pre-ballot draft final Statement

BRIEFING MATERIAL

Staff Summary: This memorandum provides the staff summary. The staff's summary is intended to support your consideration of the comments and not to substitute for reading the individual letters.

Attachment 1 provides the full text of each comment letter.

Attachment 2 provides a pre-ballot draft of the final Statement.

BACKGROUND

SUMMARY OF OUTREACH EFFORTS

The exposure draft, *Deferral of Transition to Basic Information for Long-Term Projections*, was issued November 20, 2012, with comments requested by January 31, 2013. Upon release of the exposure draft, notices and press releases were provided to:

- a) The Federal Register;
- b) *FASAB News*;
- c) *The Journal of Accountancy, AGA Today, the CPA Journal, Government Executive, and the CPA Letter*;

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

- d) The CFO Council, the Council of the Inspectors General on Integrity and Efficiency, and the Financial Statement Audit Network; and
- e) Committees of professional associations generally commenting on exposure drafts in the past.

To encourage responses, a reminder notice was provided on January 9, 2013, to our Listserv.

RESULT

As of February 7, 2013, we have received 13 responses from the following sources:

	FEDERAL (Internal)	NON-FEDERAL (External)
Users, academics, others		4
Auditors	2	
Preparers and financial managers	7	

Two of the thirteen letters did not respond to the question. One of these letters specifically indicated they had no response. The other, letter #1, offered comments and suggestions that could not be classified as either agreeing or disagreeing with the proposal. All of the remaining respondents agreed with the deferral. Some offered additional comments regarding the need for audit guidance.

Table A. Tally of Responses By Question

QUESTION	AGREE	NO COMMENT
Do you agree or disagree with the proposed one-year deferral of the effective date for the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information required in SFFAS 36, <i>Reporting Comprehensive Long-Term Projections for the U.S. Government</i> ? The new effective date would provide for full implementation of SFFAS 36 for reporting periods beginning after September 30, 2013. Please explain the reasons for your position in as much detail as possible.	11	2

Recommendation

Because the respondents did not identify any issues, I recommend the Board finalize the proposal. A pre-ballot draft is offered for discussion at the February meeting (see Attachment 2). Any technical concerns should be raised at the meeting. Editorial matters may be addressed to me before, during, or after the meeting. Editorial improvements offered by February 19th will be included in a marked copy available at the Board meeting for your consideration.

Feel free to contact me at 202 512-7357 or paynew@fasab.gov before the meeting.

Tab B – Attachment 1 Comment Letters

Deferral of the Transition to Basic Information for Long-Term Projections

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4	John Walter	Federal Preparer	6
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From: Wm J Fleeman
Sent: Thursday, December 06, 2012 3:26 PM
To: FASAB
Subject: Public Comment SFFAS 36

Dear Ms. Payne:

Perhaps your invitation for comments should have included some category our nation's future generations of taxpayers.

While I don't envy your task, it would certainly be refreshing to see included some comments from citizen-taxpayers, particularly the younger generations whose lives will so dramatically impacted.

Transparency and honesty may be painful to all, but the consequences of continued obfuscation are far more damaging to our future as a nation.

Respectfully,

William Fleeman
Davis, CA



*Advancing
Government
Accountability*

2208 Mount Vernon Ave.
Alexandria, VA 22301-1314
PH 703.684.6931
TF 800.AGA.7211
FX 703.548.9367
www.agacgm.org

December 17, 2012

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

Dear Ms. Payne:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB) on its November 20, 2012 exposure draft (ED) entitled *Deferral of the Transition to Basic Information for Long-Term Projections, amending SFFAS 36*. The FMSB is comprised of 25 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

In this ED, the FASAB is proposing a one-year deferral of the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information. This proposal would permit the audit community to complete the necessary guidance on this matter. It will also allow the preparer community time to plan for any possible audit requirements under the revised guidance.

The FMSB has reviewed the ED and concurs with the changes proposed by the FASAB. The FMSB members believe that the deferral is reasonable given the complexity of this matter. We agree that the audit community will need time to finalize guidance on this matter and the preparer will need time prepare for an audit. Therefore a one year deferral seems both reasonable and prudent.

We appreciate the opportunity to comment on this document and would be pleased to discuss this letter with you at your convenience. A majority of the FMSB members approved of the issuance of this letter of comments. If there are any questions regarding the comments in this letter, please contact Steven E. Sossei, CPA, and AGA's staff liaison for the FMSB, at ssossei@agacgfm.org or at 518-522-9968.

Sincerely,

A handwritten signature in black ink, appearing to be 'EB', with a long horizontal flourish extending to the right.

Eric S. Berman, CPA, Chair
AGA Financial Management Standards Board

cc: Evelyn A. Brown, CGFM-Retired
AGA National President

**Association of Government Accountants
Financial Management Standards Board**

July 2012 – June 2013

Eric S. Berman, Chair
Frank D. Banda
Robert L. Childree
Irwin T. David
Vanessa Davis
Jeanne B. Erwin
Richard Fontenrose
J. Dwight Hadley
David R. Hancox
Ruthe Holden
David C. Horn
Albert A. Hrabak
Matthew A. Jadacki
Drummond Kahn
Simcha Kuritzky
Valerie A. Lindsey
Edward J. Mazur
Craig M. Murray
Suesan R. Patton
Harriett Richardson
Clarence L. Taylor, Jr.
Roger Von Elm
Donna J. Walker
Stephen B. Watson
Sheila Weinberg

Relmond P. Van Daniker, Executive Director, AGA (Ex-Officio Member)
Steven E. Sossei, Staff Liaison, AGA

From: Krabbe, Carla
Sent: Friday, January 11, 2013 2:14 PM
To: FASAB
Subject: Comments on Draft SFFAS #36

Wendy,

Thank you for the opportunity to review and comment on the Exposure Draft amending Statement of Federal Financial Accounting Standard 36, *Deferral of the Transition to Basic Information for Long-Term Projections*. The Social Security Administration has no comments.

Hope you have a Happy New Year.

Carla Krabbe

From: Walter, John]

Sent: Tuesday, January 22, 2013 3:21 PM

To: FASAB

Cc: Govan, George V.; Buzzi, Frank J.; Lannin, Richard; Stubits, Elizabeth; Burks, Betty L.; Shoulders, Rachel

Subject: FW: FASAB Seeks Comments Regarding Long-Term Fiscal Projections

This email is in response to your email of November 20, 2012, regarding "FASAB Seeks Comments Regarding Long-Term Fiscal Projections."

Q1. Do you agree or disagree with the proposed one-year deferral of the effective date for the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information required in SFFAS 36, *Comprehensive Long-Term Projections for the U.S. Government*? The new effective date would provide for full implementation of SFFAS 36 for reporting periods beginning after September 30, 2013. Please explain the reasons for your position in as much detail as possible (see discussion in pars. A1 through A4).

We agree with the proposed one-year deferral of the effective date for the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information required in SFFAS 36, *Comprehensive Long-Term Projections for the U.S. Government*. This one-year deferral would permit the preparer time to plan for the audit and the audit community time to complete is consideration of the need for revised guidance.

John Walter
Bureau of Fiscal Operations
Railroad Retirement Board

From: Jones Anita

Sent: Tuesday, January 29, 2013 11:25 AM

To: FASAB

Cc: O'Connor, John

Subject: FASAB Seeks Comments Regarding Long-Term Fiscal Projections

Below is the EPA's response to "FASAB Seeks Comments Regarding Long-Term Fiscal Projections. I maybe contact with any follow-up inquiries.

Question: Do you agree or disagree with the proposed one-year deferral of the effective date for the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information required in SFFAS 36, *Comprehensive Long-Term Projections for the U.S. Government*? The new effective date would provide for full implementation of SFFAS 36 for reporting periods beginning after September 30, 2013. Please explain the reasons for your position in as much detail as possible (see discussion in pars. A1 through A4).

Answer: The EPA agrees with the proposed one-year deferral of the effective date to implement the statement and related RSI disclosures. The one-year deferral of the effective date to report comprehensive projections for all government receipts and expenditures will allow agencies to receive and implement associated guidance.

Anita Jones

Financial Planning and Policy Staff

From: Tucker, Gerald A

Sent: Tuesday, January 29, 2013 8:37 AM

To: FASAB

Subject: Deferral of the Transition to Basic Information for Long-Term Projections

Thank you for the opportunity to comment on the above topic. HUD has the following comment concerning question number one as noted below.

Q1. Do you agree or disagree with the proposed one-year deferral of the effective date for the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information required in SFFAS 36, *Comprehensive Long-Term Projections for the U.S. Government*? The new effective date would provide for full implementation of SFFAS 36 for reporting periods beginning after September 30, 2013. Please explain the reasons for your position in as much detail as possible (see discussion in pars. A1 through A4).

HUD agrees with the Board's proposal for a one-year deferral of the effective date for the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information required in SFFAS 36, *Comprehensive Long-Term Projections for the U.S. Government*. The long-term fiscal projections will help the reader to assess whether future budgetary resources are likely to be sufficient to sustain public services and this is an essential role for financial statements. The auditor's role in providing assurance regarding conformance to the standards is also essential. However, due to the uncertainty associated with the development of such guidance and the corresponding issuance date of such guidance, it is difficult to begin preparations to present and audit the sustainability information presented as a basic financial statement and related disclosures for FY 2013. Furthermore, due to the characteristics of the long-term projections and the inherent uncertainties there may be difficulties in developing guidance for providing assurance regarding such information therefore the one-year deferral request is reasonable.

Should you have any questions, please contact me.



American Institute of CPAs
1455 Pennsylvania Avenue, NW
Washington, DC 20004

January 29, 2013

Ms. Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The American Institute of Certified Public Accountants (AICPA) has reviewed the Federal Accounting Standards Advisory Board (FASAB) Exposure Draft (ED), *Deferral of the Transition to Basic Information for Long-Term Projections*, and is pleased to offer its comments. We fully support the FASAB proposal to defer, for one year, the effective date of the provision in Statement of Federal Financial Accounting Standards (SFFAS) 36, *Comprehensive Long-Term Projections for the U.S. Government*, that would transition the presentation of certain long-term fiscal projections and related disclosures in the consolidated financial report of the U.S. government from required supplementary information (RSI) to basic information.

The following section of this letter provides our response to the specific question raised in the ED regarding the deferral.

SPECIFIC ED QUESTION

Q1. Do you agree or disagree with the proposed one-year deferral of the effective date for the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information(RSI) to basic information required in SFFAS 36, Comprehensive Long-Term Projections for the U.S. Government? The new effective date would provide for full implementation of SFFAS 36 for reporting periods beginning after September 30, 2013. Please explain the reasons for your position in as much detail as possible (see discussion in pars. A1 through A4).

As noted above, we fully support the FASAB's proposal to defer for one-year the phased-in implementation originally established in SFFAS 36. This deferral will allow the audit community, working with the federal community, the time needed to consider audit issues related to the presentation of forward-looking information in the basic financial statements, such as that required by SFFAS 36 and SFFAS 17, *Accounting for Social Insurance*. It also will provide the federal preparer community time to better plan for their audits under any revised guidance that is issued.

As described in the ED, the AICPA's Auditing Standards Board has formed a Prospective Information Task Force (task force). Among the issues being considered by the task force are: (a) whether it is appropriate for an auditor's report to state that long-term projections

Ms. Wendy Payne

January 29, 2013

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(such as those required by the FASAB) are fairly presented, in all material respects, in accordance with generally accepted accounting principles, when they are subject to significant uncertainties; and (b) whether it may be more appropriate for an auditor to report on such long-term projections under AT section 301, *Financial Forecasts and Projections*, of the AICPA's attestation standards, instead of reporting under the AICPA's auditing standards. AT 301 is a standard specifically designed for auditing forward-looking information and includes report language that many believe better communicates the inherent limitations to users regarding the significant uncertainties related to such forward-looking information.

After deliberating these issues, it may be determined that changes will be needed to existing AICPA authoritative literature to address the conclusions reached. For example, Statement of Position (SOP) 04-1, *Auditing the Statement of Social Insurance*, may need revision, as well as AT 301. The deferral of the effective date proposed by the FASAB will allow for an appropriate consideration of the issues and time for any needed changes to the related AICPA standards and guidance.

* * * * *

The AICPA appreciates the opportunity to comment on the ED. Representatives of the AICPA would be pleased to discuss these comments with you at your convenience.

Sincerely,



Susan S. Coffey, CPA
Senior Vice President
Public Practice & Global Alliances

cc: ASB Prospective Information Task Force
Mary Foelster
Charles E. Landes
Daniel J. Noll
Judith Sherinsky



OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

Ms. Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

JAN 29 2013

Dear Ms. Payne:

The Department of Defense appreciates the opportunity to comment on the Federal Accounting Standards Advisory Board Exposure Draft Amending Statement of Federal Financial Accounting Standard 36, Deferral of the Transition to Basic Information for Long-Term Projections. We have reviewed the draft and agree with the rationale for delaying the exposure draft until the American Institute of Certified Public Accountants can finalize the impact on how long-term projections will be covered by existing audit standards.

Our response is enclosed. My contact is Ms. Carol A. Campbell. She can be reached at carol.campbell@osd.mil or 703-601-0129.

Sincerely,

A handwritten signature in cursive script, reading "Donjette L. Gilmore", is written over a horizontal line.

Donjette L. Gilmore
Director, Accounting and Finance Policy

Enclosure:
As stated



Deferral of the Transition to Basic Information for Long-Term Projections

Please submit to fasab@fasab.gov

Name of Respondent: Donjette L. Gilmore, Director, Accounting and Finance Policy,
DoD

Organization: Department of Defense

All responses are requested by January 31, 2013.

Q1. Do you agree or disagree with the proposed one-year deferral of the effective date for the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information required in SFFAS 36, *Comprehensive Long-Term Projections for the U.S. Government*? The new effective date would provide for full implementation of SFFAS 36 for reporting periods beginning after September 30, 2013. Please explain the reasons for your position in as much detail as possible (see discussion in pars. A1 through A4).

Agree. Deferring the effective date is judicious since the audit community is still revising their audit guidance for projections and assumptions. Additionally, preparers will need time to adapt their reporting procedures for the new audit guidance. Therefore, a deferral of the transition is warranted.

From: Thomas, D'Andrea V {Kim} (HQ-IM030)
Sent: Thursday, January 31, 2013 7:49 AM
To: FASAB
Cc: Meredith, Shelley J. (HQ-IM030)
Subject: SSFAS ED - DEFERRAL OF THE TRANSITION TO BASIC INFORMATION FOR LONGTERM PROJECTIONS Amending SFFAS 36

Ms. Payne,

Thank you for affording NASA the opportunity to comment on the exposure draft proposing the deferral of the Statement of Long-Term Projections , required in SFFAS 36. NASA agrees with the deferral of this standard as provided below.

Name of Respondent: Michelle Butler
Organization: NASA

All responses are requested by January 31, 2013.

Q1. Do you agree or disagree with the proposed one-year deferral of the effective date for the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information required in SFFAS 36, *Comprehensive Long-Term Projections for the U.S. Government*? The new effective date would provide for full implementation of SFFAS 36 for reporting periods beginning after September 30, 2013. Please explain the reasons for your position in as much detail as possible (see discussion in pars. A1 through A4).

A1. NASA agrees with the proposed one-year deferral of the effective date for the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information required in SFFAS 36, *Comprehensive Long-Term Projections for the U.S. Government*. Due to the uncertainty associated with the development of this guidance, it will allow the Board more time to develop revised guidance.

Thank you,

Kim Thomas
NASA Headquarters - OCFO
Policy Division



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

January 31, 2013

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6K17V
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

Thank you for the opportunity to provide comments on the November 20, 2012, Deferral of the Transition to Basic Information for Long-Term Projections. Our comment, in response to the question in the Deferral is attached.

Again, we appreciate the opportunity to comment on this Deferral. If we can be of further assistance, please contact Marilyn Evans at (202) 622-0807.

Sincerely,

Carole Y. Banks *for*
Director, Financial Reports and Policy

Word Version of Request for Comments**Deferral of the Transition to Basic Information for Long-Term Projections****Comments Requested by January 31, 2013**

Name of Respondent: Marilyn Evans**Organization Represented: Department of the Treasury**

Q1. Do you agree or disagree with the proposed one-year deferral of the effective date for the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information required in SFFAS 36, *Comprehensive Long-Term Projections for the U.S. Government*? The new effective date would provide for full implementation of SFFAS 36 for reporting periods beginning after September 30, 2013. Please explain the reasons for your position in as much detail as possible (see discussion in pars. A1 through A4).

A1. Treasury agrees with the proposed one-year deferral of the effective date for the transition. While Treasury believes that presenting long-term projections on the health of the U.S. Government is important information for the public, there are complications inherent in the methodologies used to calculate and present this information. This one year extension provides extra time for the U.S. Government to refine the information and the presentation thereof and gives the audit community time to develop audit standards necessary to test the validity of the disclosures.

From: Cummings, Joseph D (OIG/OAS)
Sent: Thursday, January 31, 2013 3:21 PM
To: Payne, Wendolyn M; FASAB
Cc: Daly, Kay L (OIG/OAS); Holmberg, Eric R (OIG/OAS)
Subject: Comments on the one-year deferral of SFFAS No. 36

Hi Wendy:

The Department of Health and Human Services (HHS) Office of Inspector General would not oppose the one-year deferral of the effective date for Statement of Federal Financial Accounting Standard (SFFAS) No. 36 "Comprehensive Long-Term Projections for the Federal Government," which would transition the statement presenting long-term projections for the U.S. Government from required supplementary to basic information. Ernst & Young, the auditor of the annual HHS and Center for Medicare and Medicaid Services (CMS) Consolidated Financial Statements has disclaimed on the Statements of Social Insurance (SOSI) since 2010. The passage of the Patient Protection and Affordable Care Act (ACA) significantly impacted the projections embodied in the 2010, 2011, and 2012 Annual Reports of the Board of Trustees of the Federal Hospital Insurance and the Federal Insurance Trust Funds (Trustees Report). CMS uses the Trustees Report to prepare the SOSI, and the SOSI is prepared in accordance with current law. In his opinion, the Chief Actuary for CMS noted uncertainties regarding the projections in the Trustees Reports and reflected concerns that provisions within ACA are not sustainable or will, based on prior patterns, likely be modified. These estimates in the SOSI, now based on current law, are subject to this ongoing uncertainty and may not reflect management's most reasonable estimate.

The objective of the American Institutes of Certified Public Accountants (AICPA) Auditing Standards Board (ASB) Prospective Information Task Force (task force) is to develop guidance for certified public accountants engaged in auditing prospective information due to current and proposed accounting standards that require this reporting. The AICPA defines prospective financial statements as "either financial forecasts or financial projections including summary of significant assumptions and accounting policies." The Federal Accounting Standards Advisory Board's proposed deferral of the effective date of SFFAS No. 36 until the task force provides additional audit guidance and any needed reporting language for prospective information would seem prudent.

From a broader government prospective, a bigger issue is the lack of guidance to determine how long-term projections will be covered in the auditing standards. Also, questions arise on whether other agencies have processes in place to report projections similar to those processes used for the Social Insurance Programs. Table 1 on Page 118 of the Fiscal Year 2012 Consolidated Financial Report of the U.S. Government reflects the 75-year present value for individual income taxes and other receipts. A majority of the audit work would occur at Treasury. However, if other receipts are directly remitted to other agencies, a determination will be needed on those receipts that are considered significant and if they are ready to be audited. This basic concept would

apply to all discretionary and mandatory spending. The task force was formed to develop audit guidance and report language for all prospective information, not just those projections provided for social insurance programs. The proposed deferral for the effective date of SFFAS No. 36 would again seem prudent until the task force provides the needed audit guidance and any audit report language.

We thank the Federal Accounting Standards Advisory Board for the opportunity to comment on the deferral of the effective date of SFFAS No. 36. If you have any questions, please do not hesitate to contact me.

Joseph D. Cummings, CPA
Director, Financial Statement Audits and Related Services
Office of Inspector General
U.S. Department of Health and Human Services



Greater Washington Society of CPAs and GWSCPA Educational Foundation

1111 19th Street, NW, Suite 1200, Washington, DC 20036
202-464-6001 (v) 202-238-9604 (f) www.gwscpa.org info@gwscpa.org

January 31, 2013

Wendy Payne, Executive Director
Federal Accounting Standards Advisory Board
Mail Stop 6K17V
441 G Street, NW – Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) on the proposed Statement of Federal Financial Accounting Standards (SFFAS), *Deferral of the Transition to Basic Information for Long-Term Projections: Amending SFFAS 36*.

The GWSCPA consists of approximately 2,000 members, and the FISC includes 27 GWSCPA members who are active in accounting and auditing in the Federal sector. This comment letter represents the consensus comments of our members. Our response to the ED question follows.

Q1. Do you agree or disagree with the proposed one-year deferral of the effective date for the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information required in SFFAS 36, *Comprehensive Long-Term Projections for the U.S. Government*? The new effective date would provide for full implementation of SFFAS 36 for reporting periods beginning after September 30, 2013. Please explain the reasons for your position in as much detail as possible (see discussion in pars. A1 through A4).

A1. The FISC supports the Board's proposal to one year deferral. The reasons specified by the Board in paragraphs A1 through A4 provide a reasonable basis to support the deferral.

This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,

Andrew C. Lewis
FISC Chair

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



FEB -4 2013

Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 6814 (Mailstop 6k17V)
Washington, DC 20548

Dear Ms. Payne:

Please find enclosed our response to the question concerning the exposure draft, Deferral of the Transition to Basic Information for Long-Term Projections, amending SFFAS 36, Comprehensive Long-Term Projections for the U.S. Government (Exposure Draft)", dated November 20, 2012. We agree with deferring the effective date to transition to basic information for long-term projections and believe that providing finalized related audit guidance is essential for the proper accounting, presentation, and disclosure in financial statements.

We appreciate the opportunity provided by the Federal Accounting Standards Advisory Board (FASAB) to respond to the exposure draft. If you have any questions or need additional information, please contact Joseph L. Donovan, Jr. at 202-693-5248.

Sincerely,

A handwritten signature in cursive script that reads "Elliot P. Lewis".

Elliot P. Lewis
Assistant Inspector General for Audit

Enclosure

**Department of Labor
Office of Inspector General
Office of Audit**

**Exposure Draft: Deferral of the Transition To Basic
Information for Long-Term Projections**

Question for Respondents

Q1. The Board proposes a one-year deferral of the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information.

Do you agree or disagree with the proposed one-year deferral of the effective date for the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information required in SFFAS 36, Comprehensive Long-Term Projections for the U.S. Government? The new effective date would provide for full implementation of SFFAS 36 for reporting periods beginning after September 30, 2013. Please explain the reasons for your position in as much detail as possible

We agree with the Board's proposal to defer the effective date for the transition of the statement presenting long-term fiscal projections for the U.S. government. As noted by the Board in paragraph A4, due to the uncertainty associated with development of audit guidance for prospective information, it is difficult to begin preparations to audit the sustainability information presented as a basic financial statement and related disclosures for fiscal year 2013. We believe that related audit guidance should be finalized and published prior to the beginning of the fiscal year of implementation to allow for proper audit planning and execution.



Federal Accounting Standards Advisory Board

DEFERRAL OF THE TRANSITION TO BASIC INFORMATION FOR LONG- TERM PROJECTIONS

Amending SFFAS 36

Statement of Federal Financial Accounting Standards 45

Month day, Year Issued

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 to comment, or preliminary views document may be issued before an exposure draft is released 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 Statements 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 Government Accountability 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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Contact us:

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SUMMARY

This Statement defers for one year the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to basic information. Basic information is the information that is deemed essential for the financial statements and notes to be presented in conformity with generally accepted accounting principles (GAAP). RSI is information that a body that establishes GAAP requires to accompany basic information. While both categories of information are required, the auditor subjects the two categories of information to different procedures and complies with different reporting requirements under generally accepted government auditing standards (GAGAS).

When an auditor is engaged to audit an entity's financial statements, basic information as a whole is subject to testing for conformity with GAAP. RSI is unaudited, but is subject to certain procedures specified by GAGAS. These procedures include (a) inquiring of management regarding the methods used to prepare the information, (b) comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements, and (c) obtaining relevant management representations.¹ Deficiencies in basic information affect the auditor's opinion on the financial statements taken as a whole while deficiencies in RSI do not, but are noted in the auditor's report on the financial statements.

¹ American Institute of CPAs, Auditing Standards – Clarified (AU-C), Section 730.05.

INTRODUCTION

PURPOSE

1. This Statement amends the effective date of the phased implementation established in Statement of Federal Financial Accounting Standards (SFFAS) 36, *Comprehensive Long-Term Projections for the U.S. Government*. When fully implemented, SFFAS 36 requires a basic financial statement in the consolidated financial report of the U.S. Government (CFR), disclosures, and related required supplementary information (RSI). To allow a phased implementation, a three-year transition period was provided during which all information was RSI. With this amendment, a four-year transition period is provided and beginning in fiscal year (FY) 2014 SFFAS 36 will require information to be presented as follows:
 - a. The basic financial statement will present for all activities:
 - i. the present value of projected receipts and non-interest spending under current policy without change,
 - ii. the relationship of these amounts to projected Gross Domestic Product (GDP), and
 - iii. changes in the present value of projected receipts and non-interest spending from the prior year.
 - b. Disclosures will explain and illustrate:
 - i. the assumptions underlying the projections,
 - ii. factors influencing trends, and
 - iii. significant changes in the projections from period to period.
 - c. RSI will explain and illustrate the projected trends in:
 - i. the relationship between receipts and spending,
 - ii. deficits or surpluses,
 - iii. Treasury debt held by the public as a share of GDP,
 - iv. possible results using alternative scenarios, and
 - v. the likely impact of delaying corrective action when a fiscal gap exists.
2. During the additional transition year – FY 2013 - all of the above information will be reported as RSI.

MATERIALITY

3. The provisions of this Statement need not be applied to immaterial items. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

STANDARDS

SCOPE

4. This Statement applies to the consolidated financial report of the U.S. Government (CFR).
5. This Statement amends SFFAS 36, *Comprehensive Long-Term Projections for the U.S. Government*, to defer full implementation of its requirements by one year.

AMENDMENTS

6. Par. 45 of SFFAS 36 is replaced by the following:
 45. The following phase-in of reporting requirements as basic information provides for full implementation for reporting periods beginning after September 30, 2013.
 - a. These standards are effective for periods beginning after September 30, 2009.
 - b. Information should be reported as RSI for the first four years of implementation (fiscal years 2010, 2011, 2012, and 2013).
 - c. Beginning in fiscal year 2014, the required information should be presented as specified in paragraphs 12 - 42.
 - d. Earlier implementation is encouraged.

EFFECTIVE DATE

7. The requirements of this Statement are effective upon issuance.

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

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. 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—should govern the accounting for specific transactions, events, or conditions.

PROJECT HISTORY

- A1. Inclusion of audited long-term fiscal projections in U. S. federal government financial reports began in fiscal year 2006 with the statement of social insurance. A number of individual programs, such as Social Security and Medicare, provide a statement of social insurance as well a statement of changes in social insurance amounts. In 2009, the Board issued SFFAS 36, *Comprehensive Long-Term Projections for the U.S. Government*, and broadened requirements for long-term fiscal projections beyond these discrete social insurance programs. SFFAS 36 requires comprehensive projections for all government receipts and expenditures.
- A2. The Board recognized the uncertainty inherent in making the policy, economic, and demographic assumptions necessary for comprehensive projections. The standards, therefore, provide for the exercise of judgment in selecting assumptions and require information to aid the reader in understanding and considering uncertainty and alternative outcomes. The audit community is considering the need to revise the audit guidance, including initial guidance developed for the statement of social insurance, to address such comprehensive projections.
- A3. The American Institute of CPAs (AICPA) Auditing Standards Board (ASB) organized the Prospective Information Task Force to consider the auditor's responsibility for prospective financial information. The task force charge is to consider audit guidance for both the prospective information proposed by the Governmental Accounting Standards Board (GASB) in its November 2011 preliminary views document, *Economic Condition Reporting: Financial Projections*, and the statement of long-term fiscal projections. Because the GASB's preliminary view is that projections would be presented as RSI, the task force does not anticipate a need for additional guidance regarding such projections. The task force is presently considering guidance for auditors and appropriate audit report language regarding the statement of long-term fiscal projections. The task force also may consider revisions to the audit report language regarding the statement of social insurance and the statement of changes in social insurance amounts.
- A4. To allow the Prospective Information Task Force time to develop needed guidance, the Board considered amending SFFAS 36 to extend by one year the transition period established for eventually presenting long-term fiscal projections as basic information in the consolidated financial report of the U. S. government. During the extended transition period, all the required information would continue to be provided as RSI. The Board issued an exposure draft, entitled *Deferral of Transition to Basic Information for Long-Term Projections*, November 20, 2012, with comments requested by January 31, 2013.

RESPONSES TO THE PROPOSAL

A5. The Board received 13 response to the exposure draft from the following sources:

Table 1.0 – Types of Respondents

	Federal (Internal)	Non- federal (External)
Users, academics, others		4
Auditors	2	
Preparers and financial managers	7	

A6. Of the 13 responses, 11 supported the proposed extension. Of the remaining two, one offered no comment and the other suggested the Board seek input from citizens and particularly younger taxpayers. The Board welcomes and encourages the input of citizens and will consider ways to reach more citizens.

BOARD APPROVAL

A7. The Board voted....

APPENDIX B: AUDIT CONSIDERATIONS REGARDING BASIC INFORMATION AND RSI

This summary table serves as an aid to the reader in understanding the implications of the deferral. It is not complete as it does not present in detail the auditing standards established by the American Institute of CPAs. Also, it has not been updated since its original issuance.

	Basic Information	RSI
Is the information required to be in the federal financial report?		
Source: FASAB, Statement of Federal Financial Accounting Concepts (SFFAC) 2, Entity and Display, par. 73C and AICPA Auditing Standards as Clarified (AU-C) 730.04	Yes	Yes
Is the information deemed essential if the financial statements are to “present fairly” in conformity with GAAP?	Yes	No
Source: FASAB SFFAC 2, par. 73B and 73C, and AICPA AU-C 730.04		
What are the objectives of the auditor regarding basic information and RSI?	The purpose of an audit is to provide financial statement users with an opinion by the auditor on whether the financial statements are presented fairly, in all material respects, in accordance with an applicable financial reporting framework, which enhances the degree of confidence that intended users can place in the financial statements. ...As the basis for the auditor's opinion, GAAS require the auditor to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high, but not absolute, level of assurance. It is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (that is, the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an	The objectives of the auditor when a designated accounting standard setter requires information to accompany an entity's basic financial statements are to perform specified procedures in order to a. describe, in the auditor's report, whether required supplementary information is presented and b. communicate therein when some or all of the required supplementary information has not been presented in accordance with guidelines established by a designated accounting standard setter or when the auditor has identified material modifications that should be made to the required supplementary information for it to be in accordance with guidelines established by the designated

	Basic Information	RSI
	<p>acceptably low level. Reasonable assurance is not an absolute level of assurance because there are inherent limitations of an audit that result in most of the audit evidence, on which the auditor draws conclusions and bases the auditor's opinion, being persuasive rather than conclusive.</p> <p>(AICPA, AU-C 200 .04 and 200.06)</p>	<p>accounting standard setter.</p> <p>(AICPA, AU-C 730.03)</p>
What audit fieldwork is required?	Audit procedures in accordance with applicable auditing standards and requirements. ²	Limited procedures pursuant to AU-C 730.05-.06.
What is to be provided in the auditor's report?	<p>When expressing an unmodified opinion on financial statements, the auditor's opinion should state that the financial statements present fairly, in all material respects, the financial position of the entity as of the balance sheet date and the results of its operations and its cash flows for the period then ended, in accordance with the applicable financial reporting framework. Also, the auditor's opinion should identify the applicable financial reporting framework and its origin.</p> <p>(AICPA AU-C Section 700.35 and .36)</p>	<p>Statement that the auditor has applied certain limited procedures and a statement that the auditor does not express an opinion or provide assurance on the information.</p> <p>(AICPA, AU-C 730-.08-.09)</p>
What audit report mention is required if the information is missing or not prepared in conformity with guidelines?	<p>Include a Basis for Modification Paragraph in the Report:</p> <p>If there is a material misstatement of the financial statements that relates to specific amounts in the financial statements (including quantitative disclosures), the auditor should include in the basis for modification paragraph a description and quantification of the financial effects of the misstatement, unless impracticable. If it is not practicable to quantify the financial effects, the auditor should so state in the basis for modification</p>	<p>Include a statement that management has omitted the information and the information is required and is an essential part of financial reporting. Also, the auditor would state that the opinion on the basic financial statements is not affected by the missing information.</p> <p>(AICPA AU-C 730.08e)</p> <p>In addition, if the measurement or presentation of the information departs materially from the prescribed guidelines, the auditor</p>

² The phrase "applicable auditing standards and requirements" is used to refer to auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

Basic Information	RSI
<p>paragraph.</p> <p>(AICPA AU-C 705.18)</p> <p>If there is a material misstatement of the financial statements that relates to narrative disclosures, the auditor should include in the basis for modification paragraph an explanation of how the disclosures are misstated.</p>	<p>would state that although the opinion on the basic financial statements is not affected, material departures from the prescribed guidelines exist and the auditor would describe the departures.</p> <p>(AICPA AU-C 730.08f)</p>
<p>(AICPA AU-C 705.19)</p> <p>If there is a material misstatement of the financial statements that relates to the omission of information required to be presented or disclosed, the auditor should describe in the basis for modification paragraph the nature of the omitted information; and include the omitted information, provided that it is practicable to do so and the auditor has obtained sufficient appropriate audit evidence about the omitted information).</p>	
<p>(AICPA AU-C 705.20)</p> <p>Modify the Auditor's Opinion:</p> <p>A qualified opinion states that except for the effects of the matter(s) described in the basis for qualified opinion paragraph, the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.)</p>	
<p>(AICPA AU-C 705.24)</p> <p>An adverse opinion states that the financial statements are not presented fairly in accordance with the applicable financial reporting framework.</p>	
<p>(AICPA AU-C 705.25)</p>	

Source: The Federal Accounting Standards Advisory Board developed this summary but does not establish audit standards. For guidance regarding auditing standards, please refer to the source documents identified in the summary.

APPENDIX C: ABBREVIATIONS

AICPA	American Institute of Certified Public Accountants
ASB	Auditing Standards Board
AU-C	Auditing Standards - Clarified
CFR	Consolidated financial report of the U.S. government
ED	Exposure draft
FASAB	Federal Accounting Standards Advisory Board
FY	Fiscal year
GAAP	Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
GDP	Gross Domestic Product
OMB	Office of Management and Budget
RSI	Required supplementary information
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
U.S.	United States

APPENDIX D: GLOSSARY

Basic Financial Statements	As used in SFFAS 7, <i>Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</i> , the basic financial statements are those on which an auditor would normally be engaged to express an opinion. The term “basic” does not necessarily mean that other financial information not covered by the auditor’s opinion is less important to users than that contained in the basic statements; it merely connotes the expected nature of the auditor’s review of, and association with, the information. The basic financial statements in financial reports prepared pursuant to the Chief Financial Officers Act, as amended, are called the “principal financial statements.” The Form and Content of these statements are determined by OMB. (see also Principal Financial Statements)
Basic Information	Information that is essential for financial statements and notes to be presented in conformity with generally accepted accounting principles (GAAP).
Required Supplementary Information	Information that a body that establishes GAAP requires to accompany basic information. When an auditor is engaged to audit an entity’s financial statements, basic information is subject to testing for fair presentation in conformity with GAAP. However, RSI for federal entities is unaudited but subject to certain procedures specified by Generally Accepted Government Auditing Standards for RSI.

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