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September 15, 2023

By email: [fasab@fasab.gov](mailto:fasab@fasab.gov)

Mr. George A. Scott  
Chair  
Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 1155  
Washington, DC 20548

**RE: Invitation to Comment, *Reexamination of Existing Standards***

Dear Mr. Scott:

We appreciate the opportunity to respond to the Invitation to Comment, *Reexamination of Existing Standards* (ITC). We believe this project represents an important step toward ensuring the Federal Accounting Standards Advisory Board (Board)'s standards continue to be effective in providing financial information that supports public accountability and meets user needs. We acknowledge that the Board has several additional active projects that overlap with certain topics in Question 2 of the ITC, and thus commend the Board for embarking on such a significant project.

Appendix A provides our responses to the Questions for Respondents.

\* \* \* \* \*

If you have questions about our comments or wish to discuss the matters addressed in this comment letter, please contact Kerrey Olden at [kolden@kpmg.com](mailto:kolden@kpmg.com).

Sincerely,

**KPMG LLP**

KPMG LLP

## Appendix A – Responses to Questions for Respondents

### FASAB GAAP Hierarchy

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#### Questions 1.1 and 1.2:

*1.1 The federal GAAP hierarchy in SFFAS 34 provides the sources of accounting principles and the framework for selecting the principles used in the preparation of general purpose financial reports of federal entities that conform with GAAP. Do you agree that SFFAS 34 clearly and sufficiently explains the federal GAAP hierarchy and its application to federal accounting and reporting?*

*1.2 Have you experienced challenges in applying and using the federal GAAP hierarchy in SFFAS 34 to resolve accounting or reporting issues?*

We recognize the importance of consistency in the application of accounting principles and believe it is important that the Board reexamine SFFAS 34 to consider where improvements could be made. We encourage the Board to revisit the need for four levels of the GAAP hierarchy and evaluate whether simplifying the hierarchy into ‘authoritative’ and ‘nonauthoritative’, as used by the FASB and GASB, would reduce complexity and diversity in practice. In addition, we believe simplification would facilitate transition to a codification of the accounting literature in the future. We emphasize the need for the level of authority to be based on the rigor of due process. If the Board instead decides to maintain the extant hierarchy, we suggest the Board eliminate “practices that are widely recognized and prevalent in the federal government” from Level D of the GAAP hierarchy. Currently, such practices do not go through the necessary due process and set measurement criteria do not exist to identify when a practice is considered widely recognized and prevalent. Consequently, there is diversity in the views of preparers and auditors about which practices are part of the extant hierarchy.

OMB historically publishes an annual update to its Circular No. A-136, *Financial Reporting Requirements* (OMB A-136) as part of its responsibilities for prescribing the form and content of financial statements of executive agencies under 31 U.S. Code §3515, *Financial statements of agencies*. We recognize that the Board defers to OMB for form and content of financial statements as stated in Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display*. We suggest the Board collaborate with OMB to incorporate the form and content requirements of OMB A-136 into the accounting standards, following the necessary due process. Centralization of all accounting and form and content guidance would facilitate ease of use by preparers and auditors, and improve the clarity of the guidance.

#### Reexamination of FASAB Standards

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*The Board is seeking feedback from respondents on where they believe there are opportunities for the Board to improve guidance within the 23 reexamination topics discussed in the Invitation to Comment. This includes the following potential improvements:*

- *Streamlining authoritative guidance*
- *Eliminating or revising unclear requirements*
- *Eliminating disclosures and other required information that may no longer benefit users*
- *Filling gaps in the standards where the guidance either does not address or does not adequately address areas where federal financial reporting objectives are not being met.*
- *Resolving inconsistencies in current practice*
- *Clarifying the standards (including addressing areas where the standards are difficult to apply)*
- *Reconsidering areas where there is significant preparer or audit burden versus perceived value of the information or other cost/benefit concerns*
- *Considering overlaps or redundancy in requirements*

### *Costs and benefits*

We believe financial statement preparers are best positioned to provide the Board information on where there is significant preparer burden compared to the perceived value of the information recognized, disclosed, and presented. Further, we believe financial statement users are best positioned to inform the Board about which disclosures and other required information may no longer provide them information for making decisions, assessing accountability, or enhancing comparability of financial information throughout the federal government. That said, we believe the Board should consider reexamining disclosures that are overly lengthy, technical or complex – such as the various disclosures required for direct loans and loan guarantees.

### *Specific topics*

We have considered the existing standards and suggest a reexamination of the following topics. Where applicable, we provide references to specific paragraphs within the standards to support our comments.

#### **Topic 1**

- SFFAS 1, *Accounting for Selected Assets and Liabilities*
- Interpretation 10, *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An interpretation of SFFAS 1 and SFFAS 31*
- TB 2020-1, *Loss Allowance for Intragovernmental Receivables*

### *Investments in other than Treasury securities*

As the role of Federal entities has evolved in the past several years to respond to significant economic events and the pandemic, there has been an increase in investments reported on entities' balance sheets. However, extant standards do not address the accounting for such investments – SFFAS 1 only addresses investments in Treasury securities. We understand that Federal entities use the hierarchy in SFFAS 34 to recognize and report such investments and, in practice, entities elect to follow FASB standards. However, we believe the Board could improve SFFAS 1 to provide guidance that meets the specific needs of the users on accounting and reporting for investments in other than Treasury securities.

#### **Topic 2**

- SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*, AS AMENDED BY: SFFAS 18, SFFAS 19

We do not have concerns about the auditability of the extant standards for recognizing direct loans and loan guarantees; however, given this is a complex accounting area, improvement could be made by consolidating the guidance into a single standard.

The guidance in SFFAS 2 alternates between types of accounting transactions to include pre-1992 and post-1991, as well as direct loans and loan guarantees. For example, paragraphs 24-29 of SFFAS 2 address post-1991 direct loans and loan guarantees, whereas paragraphs 45-48 subsequently address both pre-1992 and post-1991 loans. For clarity and to improve the readability of the standard, we suggest the Board reorganize the standard into a combination of higher-level and lower-level categories – such as higher-level categories of pre-1992 direct loans, post-1991 direct loans, pre-1992 loan guarantees, and post-1991 loan guarantees, further disaggregated into lower-level categories of initial recognition and measurement, as well as subsequent recognition and measurement.

In addition, we believe the Board should address overlaps in guidance between the standards for direct loans and loan guarantees and the requirements of OMB A-11, *Preparation, Submission and Execution of the Budget*. The standards prescribe that an entity develops a factor (e.g. a data element or assumption)

for the estimate of allowance for subsidy costs. In practice, OMB requires entities to use the Credit Subsidy Calculator, which includes this pre-determined factor.

#### **Topic 4**

- SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, AS AMENDED BY: SFFAS 55

We acknowledge the Board's position on the relationship of managerial cost accounting and financial accounting as described in paragraphs 46-48 of SFFAS 4; however, we believe a reexamination of this standard is warranted to give more prominence to the financial accounting standards contained therein (e.g. paragraphs 89 and 105-113A). An alternative is for the Board to issue a separate standard with financial accounting guidance addressing costs. We also suggest the Board streamline SFFAS 4, given the inclusion of the lengthy discussion of managerial cost accounting concepts, which may be more appropriate as a separate Concepts Statement.

#### **Topic 7**

- SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, AS AMENDED BY: SFFAS 20, SFFAS 21, SFFAS 53
- Interpretation 5, *Recognition by Recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS 7*
- Interpretation 11, *Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313*
- TB 2002-2, *Disclosures Required by Paragraph 79(g) of SFFAS 7 Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*
- TB 2017-1, *Intragovernmental Exchange Transactions*

#### *Accounting for revenue and other financing sources*

We do not have concerns about the auditability of the extant standards for recognizing revenue and other financing sources. That said, we suggest the Board reexamine SFFAS 7 and consider whether clarity could be provided with lower-level organizational categories within exchange and non-exchange revenue to clearly differentiate the accounting guidance when the entity retains the revenue versus when the entity collects and transfers the revenue to other entities. Further, we suggest the Board undertake outreach with the preparers of the *Financial Report of the United States Government* and, based on that outreach, clarify and/or fill gaps in guidance that result in diversity in application of guidance and, ultimately, intra-governmental differences that do not eliminate within the *Financial Report of the United States Government*.

Appendix B to SFFAS 7, *Guidance for the Classification of Transactions*, provides guidance for classifying various transactions as exchange or nonexchange revenue, or other financing source, based on the accounting standards. Given the amount of time that has elapsed since this Appendix was first effective and the limited subsequent revisions, we suggest the Board also reexamine the Appendix and assess whether additional types of transactions should be incorporated into this guidance based on the nature of transactions occurring in today's government.

#### *Changes in accounting estimates*

Currently SFFAS 21, *Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources*, does not provide specific guidance on changes in accounting estimates and changes in the reporting entity. Given that both the FASB and GASB prescribe guidance on these topics, we recommend that the Board develop guidance to eliminate the gap in extant standards.

**Topic 21**

- SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*

In recent years, we have observed an increase in the complexity of Public-Private Partnerships (PPPs), as well as continuous evolution in the ways they are being formed and structured. These partnerships now span multiple business relationships, including vendors, research partners, and other PPPs. While SFFAS 49 provides comprehensive guidance on disclosure requirements for PPPs, we support the Board's current project of reexamining the standard.