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September 14, 2023

Federal Accounting Standards Advisory Board
441 G Street NW, Suite 1155
Washington, DC 20548

RE: Comments on FASAB Invitation to Comment – *Reexamination of Existing Standards*

The Financial Management Standards Board (FMSB) of the AGA appreciates the opportunity to respond to the Federal Accounting Standards Advisory Board's invitation to comment on this important topic.

Question 1.1: Do you agree that SFFAS 34 clearly and sufficiently explains the federal GAAP hierarchy and its application to federal accounting and reporting?

We think the federal GAAP hierarchy could be simplified and improved similar to GASB 76, as mentioned in the Invitation to Comment paragraph 3.

We therefore suggest the Board consider two levels of authoritative GAAP as follows:

- a. FASAB Statements of Federal Financial Accounting Standards, FASAB Interpretations of Standards, and FASAB Technical Bulletins (currently level A and B).

We think these sources are authoritative and should be treated with equal weight as the highest level of GAAP.

- b. Technical Releases of the Accounting and Auditing Policy Committee of the FASAB and Implementation Guides published by the FASAB staff (currently level C and D).

In practice, we find these sources to be important for interpreting and implementing standards. We think these sources are both authoritative and should be treated with equal weight. We view these sources as authoritative due to (a) their intended purpose, (b) inclusion in the FASAB Handbook of Federal Accounting Standards and Other Pronouncements, and (c) their issuance under the oversight and authority of the FASAB. However, we think these sources should be a lower level of the hierarchy due to (a) their role in providing implementation guidance and clarification for existing standards, rather than establishing new guidance and (b) being attributed to a committee or staff rather than the Board.

Currently, level B includes AICPA Audit and Accounting Guides specifically cleared by the FASAB, and further defines "specifically cleared" as meaning the FASAB does not object to the pronouncement's



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issuance. We suggest removing this source from the hierarchy. We are not aware of any such AICPA Audit and Accounting Guides, or how a person could conclusively determine whether or not there is any such applicable guidance, or where to look to determine whether the FASAB has objected to them or not. Moreover, the intended purpose of AICPA audit guides is to provide audit guidance - not financial reporting guidance. And finally, AICPA audit guides represent a private source of guidance that can only be accessed for a subscription fee. We strongly believe that generally accepted accounting principles for federal reporting entities should be publicly available, for free, and located all in one place. If there's something in the AICPA audit guides that the Board considers necessary for federal general purpose financial reporting, then we think the FASAB should simply incorporate it into its own standards.

Question 1.2: Have you experienced challenges in applying and using the federal GAAP hierarchy?

We have not observed much use of the hierarchy in practice. Instead, we sometimes observe that not enough attention is paid to technical bulletins, technical releases and implementation guidance.

We also observe that the Other Accounting Literature category specified in SFFAS 34 paragraph 8 is largely disregarded. For example, reporting for investments when the entity is unable to hold investments to maturity and has to sell them effective October 1 of the subsequent year. Or reporting for barter transactions, which can go unaccounted for. We believe this reflects the difficulty of applying this vague category and the need to incorporate any relevant matters into authoritative standards.

Furthermore, we observe occasional difficulties when there is a perceived or actual difference between FASAB guidance and OMB or Treasury guidance. For example, if an agency uses USSGL titles for financial statement line item captions even when these may not be entirely appropriate for general purpose financial reporting, or if there is a difference between accounting for budgetary purposes and accounting to support historical financial reporting.

Given the importance and prominence of OMB and Department of Treasury administrative directives and guidance (such as Circular A-136 and the Treasury Financial Manual, including the United States Standard General Ledger), we think it is necessary to directly address and clarify the role of this guidance in the GAAP hierarchy. Many of our members felt that it would be best for the hierarchy to be parallel with GASB's version - with FASAB sources identified as authoritative and OMB and Treasury guidance identified as nonauthoritative for purposes of defining GAAP for general purpose financial reporting. These members emphasized the need for one clear source of authority for GAAP. However, other members were uncomfortable with the "non-authoritative" label, given that this guidance is rooted in legal authority. For example, legal authority for OMB to specify the form and content of agency financial statements is described in the footnote to SFFAC Concepts 2, paragraph 29.



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In any case, our group was unanimous in believing that in the federal environment (in contrast with FASB and GASB, which contemplate a wide variety of entities and industries), there is an opportunity to be much more precise regarding “practices that are widely recognized and prevalent” by defining this as OMB and Department of Treasury guidance, rather than referring to accounting textbooks, etc.

Question 2: Reexamination of FASAB Standards

Our comments and suggested priority level for selected topics are described below. Topics without comments or a priority level are those for which our group did not have a strong opinion.

Topic		Priority for reexamination
1	Selected Assets and Liabilities (SFFAS 1)	Medium – intragovernmental balances remain a common and significant challenge in financial reporting. While Technical Bulletin 2020-1 clarifies that SFFAS 1 applies to both intragovernmental and nonfederal receivables, it would be helpful and appropriate to have expanded prescriptive guidance for intragovernmental balances.
2	Direct Loans and Guarantees (SFFAS 2, 18, 19)	Medium – many federal agencies are subject to Credit Reform accounting, but do not appear to be consistent in how they develop their cash flow models. We think it would be helpful for FASAB to reexamine its guidance and to work with OMB and Treasury to ensure guidance is properly and clearly aligned between these three sources.
3	Inventory (SFFAS 3, 48)	
4	Managerial Cost Accounting (SFFAS 4, 55)	
5	Liabilities (SFFAS 5, 12, 25)	
6	PP&E (SFFAS 6, 23, 40, 50)	High – property, plant and equipment is a significant balance for many agencies. To promote more accurate and consistent reporting, it would be helpful if standards were expanded to provide more detailed guidance on how useful life should be determined and when to update this estimate to reflect the current use and condition of assets.
7	Revenue (SFFAS 7, 20, 21, 53)	Medium – similar to our comment on topic #1, we think it would be helpful and appropriate to provide expanded prescriptive guidance for intragovernmental transactions. For example, SFFAS 7 paragraph 41 consists of two sentences regarding sales credits and returns. However, it would be useful if standards could address methodologies for developing contra revenue accounts, in particular for those related to intragovernmental transactions.
8	Accounting for Internal Use Software (SFFAS 10)	
9	Social Insurance (SFFAS 17, 26, 37)	
10	Consolidated Financial Report (SFFAS 24, 32)	



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Topic		Priority for reexamination
11	Dedicated Collections (SFFAS 27, 43)	
12	Heritage Assets and Stewardship Land (SFFAS 29)	Low – we would encourage the Board to wait on reexamination of this topic until SFFAS 59 has been fully implemented, at which time reexamination may benefit from actual experience with reporting under the new standard.
13	Fiduciary Activities (SFFAS 31)	
14	Pensions and OPEB (SFFAS 33)	Medium – we observe that pension & OPEB standards do not directly address contractual obligations that an agency may have to contribute to contractor pension & OPEB plans. We think this should be addressed since we are aware of instances where this is occurring.
15	GAAP Hierarchy (SFFAS 34)	See responses to Questions 1.1 and 1.2 for our views on this topic.
16	Long Term Projections (SFFAS 36)	
17	Natural Resources (SFFAS 38)	
18	Subsequent Events (SFFAS 39)	Low – we would encourage the Board to monitor the GASB's project on this topic and consider whether there is a value in convergence once this project is completed.
19	Impairment of General PP&E (SFFAS 44)	
20	Reporting Entity (SFFAS 47)	
21	Public-Private Partnerships (SFFAS 49)	Medium – we see an opportunity to improve clarity and reporting consistency with additional implementation guidance.
22	Insurance Programs (SFFAS 51)	
23	Tax Expenditures (SFFAS 52)	

From a big picture perspective, our group encourages FASAB to give priority to standards with a broader impact on reporting at many agencies, rather than issues that may be specific to only one or a few agencies. For example, we note that some topic areas (such as #9, 10 and 23) would primarily affect the Department of Treasury as they compile the consolidated financial report of the United States government, and thus we would defer to Treasury on priority for reexamination of these areas.

Overall Comment

Since the Board is considering reexamination of standards, we would encourage the Board to consider moving to a codification-and-update model, such as the one used by the FASB. Such a model would make all future updates easier to develop, communicate and administer. More importantly, it would also make standards more accessible to a new generation of learners. The current handbook is over 2,700 pages long and growing. While the handbook is updated for amendments, a user may need to skip back



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and forth hundreds of pages to get a full understanding on a particular topic. Finally, it would allow for the organization of standards in a logical topical order rather than by evolution, which would make standards far more accessible to a new generation of learners.

We would further encourage the Board to consider whether Summary and Basis for Conclusions material is necessary to include in the current Handbook (or a future codification). While this information is helpful during due process - and on rare occasions it has also been helpful in practice to correctly interpret or apply a standard - it is our understanding that this material is not actually authoritative. Including it in the Handbook not only makes it much longer and harder to search, but may create some confusion about whether these sections are authoritative. If information in the Basis for Conclusions is considered necessary to understand, interpret or apply the standard, it would be preferable to simply include this information in the standard or in implementation guidance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Scott DeViney'. The signature is fluid and cursive, with a large loop at the end.

Scott DeViney, CPA
Chair, Financial Management Standards Board



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AGA
Financial Management Standards Board

The FMSB is comprised of the following 22 members 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. The purpose of the FMSB is to advocate for the improvement of accounting and financial reporting standards at all levels of government and thus advance government accountability. The views of the FMSB do not necessarily represent those of AGA. Local AGA chapters and individual members are also encouraged to comment separately.

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