

September 15, 2023

Ms. Monica R. Valentine  
Executive Director  
Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 1155  
Washington, DC 20548

Dear Ms. Valentine:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to comment on the Federal Accounting Standards Advisory Board (FASAB or “the Board”) invitation to comment, *Reexamination of Existing Standards*.

The GWSCPA consists of approximately 3,300 members, and the FISC includes nearly 20 GWSCPA members who are active in financial management, accounting, and auditing in the Federal sector.

We believe it is an appropriate time for the Board to complete a comprehensive reexamination of existing standards and ensure that they continue to be effective in providing financial information that supports public accountability and meets user needs. We believe the Board’s outreach to stakeholders is important and we are pleased to be part of the process.

Our responses are listed below.

## **I. FASAB GAAP Hierarchy:**

**QUESTION 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?*

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

As recognized by the Board, the Office of Management and Budget (OMB) prescribes the form and content of covered executive agency financial statements under title 31, U.S. Code, section 3515 through issuance of Bulletins and Circulars, including Circular A-136, *Financial Reporting Requirements* (Circular A-136). However, it is not clear in the Statement of Federal Financial Accounting Standards (SFFAS) No. 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board* (SFFAS 34) which level of Generally Accepted Accounting Principles (GAAP) hierarchy Circular A-136 falls under. This could lead to inconsistency in application by preparers of executive agency financial

statements. The FISC recommends that the Board amends SFFAS 34 to address Circular A-136. The FISC also recommends that the Board consider simplifying the hierarchy into ‘authoritative’ and ‘non-authoritative’ to improve the usefulness of financial statement information and consistent with the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB).

## **II. Reexamination of FASAB Standards:**

### **QUESTION 2:**

*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.*

#### **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*

The FISC recognizes that Federal entities refer to standards issued by the FASB and GASB for accounting and reporting of transactions or events not addressed by the FASAB standards, such as investments in assets other than Treasury securities, crypto assets, and derivatives. The FISC recommends that the Board consider whether reporting of such information in accordance with the FASB and GASB achieves the objectives of Federal financial reporting or FASAB standards need to be updated to address these topics.

#### **Topic 3:**

- *SFFAS 3, Accounting for Inventory and Related Property AS AMENDED BY: SFFAS 48*
- *Interpretation 7, Items Held for Manufacture*

The FISC recommends that the Board consider whether the non-financial information related to seized and forfeited property, currently included in the notes disclosure to the financial statements, would be more appropriately reported as Required Supplementary Information because of its nature.

#### **Topic 7:**

- *SFFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*
- *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*

Considering the changes that occurred in the business environment since SFFAS 7 was issued, Federal agencies could be inconsistently reporting certain transactions that are not specifically addressed by the standard. The FISC recommends that the Board consider updating the standard to provide accounting and reporting treatment for exchange and non-exchange revenue and other financing sources transactions that are not currently addressed. The FISC also recommends that the Board reexamines the disclosure requirements to ensure that it provides useful information for the decision makers.

**Topic 8:**

- *SFFAS 10, Accounting for Internal Use Software*

In recent years Federal agencies have been expanding the use of technology and automated tools to meet its mission objectives more efficiently. The FISC recommends that the Board consider the need to update SFFAS 10 or other existing standards to address topics such as cloud computing arrangements, indefinite software licenses, and shared service centers.

**Topic 21:**

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

The FISC recognizes that Public-Private Partnerships (P3s) arrangements are expanding and becoming more complex. As such, the Board should continue to monitor the need to update the P3 reporting requirements to ensure that such arrangements are properly and consistently accounted for and report in Federal financial statements.

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