

Federal Accounting Standards Advisory Board

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NEWS RELEASE

FASAB Issues

Interpretation of Federal Financial Accounting Standards 8: An Interpretation of Statement of Federal Financial Accounting Standards 56, Classified Activities

The chairman of the Federal Accounting Standards Advisory Board (FASAB or “the Board”), D. Scott Showalter, announced today that FASAB has issued *Interpretation of Federal Financial Accounting Standards 8: An Interpretation of Statement of Federal Financial Accounting Standards (SFFAS) 56, Classified Activities*.

The objective of SFFAS 56 is to balance the need for financial reports to be publicly available with the need to prevent the disclosure of classified national security information or activities in publicly issued General Purpose Federal Financial Reports (GPFRRs). SFFAS 56 allows financial presentation and disclosure to accommodate user needs in a manner that does not impede national security.

SFFAS 56 permits modifications that do not affect net results of operations or net position. In addition, SFFAS 56 allows a component reporting entity to be excluded from one reporting entity and consolidated into another reporting entity, and the effect of the modification may change the net results of operations and/or net position.

Further, Interpretations of SFFAS 56, which may themselves contain classified information, will address the requirements of this and other standards and permit other modifications when needed to prevent the disclosure of classified information. Modifications permitted by SFFAS 56 and future Interpretations may affect the net results of operations and/or net position of those entities applying the Interpretations. Interpretation 8 is the first classified interpretation of SFFAS 56 that allows modifications to information required by other standards, and the effect of the modifications may change the net results of operations and/or net position.

Interpretation 8 provides a decision chart illustrating the Board’s intended implementation of the Interpretation. The Interpretation does not relieve reporting entities from their requirements and responsibilities to comply with other accounting standards in

the appropriate classified environment as it relates to non-public records and reports. This illustration is non authoritative and depicts the process described in the Interpretation. The Interpretation 8 decision chart is available at <https://fasab.gov/projects/active-projects/classified-activities/>.

Interpretation 8 will be maintained by FASAB. Due to the classified nature of Interpretation 8, contact FASAB to arrange access to Interpretation 8 as needed. FASAB will provide access to the Interpretation following appropriate security procedures. To request access to Interpretation 8 please contact Monica Valentine at valentinem@fasab.gov. Please provide your name, organization, and contact information.

ABOUT FASAB

FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after considering the needs of external and internal users of federal financial information.

Financial reports, which include financial statements prepared in conformity with generally accepted accounting principles, are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, the Board plays a major role in fulfilling the government's responsibility to be publicly accountable. Federal financial reports should be useful in assessing (1) the government's accountability and its efficiency and effectiveness and (2) the economic, political, and social consequences, whether positive or negative, of the allocation and various uses of federal resources.

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: <http://www.fasab.gov/>.