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

***Target Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government Exposure Draft***

Dear Ms. Comes:

On behalf of the AGA, the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board (FASAB) exposure draft (ED) of a proposed Statement of Federal Financial Accounting Concepts (SFFAC) entitled ***Target Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government.***

The FMSB, comprised of 21 members with accounting and auditing backgrounds in federal, state, and local government, academia, and public accounting, reviews and responds to proposed standards and regulations of interest to AGA members. The FMSB's comments and recommendations regarding the proposed changes are presented below. However, our comments and recommendations do not necessarily represent positions of individual FMSB members or the organizations that they represent. Local AGA chapters and individual members are encouraged to comment separately.

The ED proposes a SFFAC establishing citizens and citizen intermediaries as the primary target audience, and understandability and timeliness as the fundamental qualitative characteristics of accounting information in the Consolidated Financial Report (CFR) of the United States Government. The FMSB supports the proposal to identify citizens and citizen intermediaries as the primary users.

However, the FMSB is concerned with emphasizing the importance of understandability, and especially timeliness, to a greater extent than the other qualitative characteristics, especially relevance and reliability. Although relevance is often thought of as a component of decision



usefulness, the FMSB believes that the relevance and reliability of the information provided by the CFR, an accountability statement, are at least as critical as understandability and timeliness, if not more so. Further, timeliness is a subcomponent of relevance; a necessary, but not sufficient, condition for relevance. Hence, timeliness cannot be more important than relevance.

Accountability is about assessing the results of past economic transactions rather than predicting future outcomes. The assessment of past results is not possible without reliable information. To determine the accountability of government, the user must have a level of assurance that the information in the CFR represents what it purports to represent. Assurance of representational faithfulness is the heart of reliability. Therefore, reliability also must be at the top level of importance.

If the CFR were to be used in a decision-making context, such as deciding whether to invest in federal securities, then the emphasis on timeliness would be more defensible. This relationship of timeliness to decision usefulness is acknowledged in paragraphs 11,12, and 18. Congress, federal executives and program managers are internal users (paragraph 11) and have the ability to access the information they need and the technical sophistication to interpret the information. The decision-useful information needed by internal users is required to be more timely, decision-focused, and detailed than what needs to be presented to general readers in an understandable format (paragraph 18).

A second, but no less important, issue concerning timeliness has to do with the current condition of federal accounting systems. Achieving timeliness will present a major problem unless the federal government makes a serious commitment to systems and control beyond what it has done in the past. We believe that timeliness should be added to the Systems and Control objectives in paragraph 29, for example, by adding a bullet stating: "Timely financial reporting is enabled."

Given these concerns, the FMSB encourages FASAB to identify reliability and relevance, along with understandability, as the most important qualitative characteristics of accounting information.

Somewhat related to the issue of timeliness is our concern with the use of the term "financial accountability" (paragraph 6) and the term "broadly addresses" (paragraph 8). The *Objectives of Federal Financial Reporting* were developed after extensive research and discussion by a high-level FASAB task force. They provide a road map for reporting

standards that are more far-reaching than that developed by either the Financial Accounting Standards Board or the Governmental Accounting Standards Board. The use of modifying words like "financial" (before "accountability") and "broadly" (before "addresses") may have the effect of watering down the FASAB's attempts to provide standards that will meet all four of the objectives set forth in Appendix A.

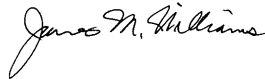
The FMSB concurs that certain information ought to be obtained outside the financial statements (paragraph 23). However, the *Objectives of Federal Financial Reporting* contains references to data beyond what many may characterize as financial, for example, when it uses terms like "accomplishments," "efficiency," "effectiveness," "current and future well-being," and "administrative controls." Meeting these objectives requires mechanisms beyond those currently developed by the other accounting standards-setting bodies. Efficiency, effectiveness, and accomplishments reporting remain to be fully addressed by FASAB, and such reporting should be done not only by the federal agencies, but also by the consolidated federal government in the CFR.

Further, the FMSB recommends that the CFR contain information on where the reader might find additional data for each of the four objectives, as well as summary data on nonfinancial items (for example, number of agencies with unqualified audit opinions, number of reportable conditions by agency, summary of agency's reporting weaknesses) that might help evaluate the federal government's progress with regard to those objectives.

Finally, although the FMSB supports the ED's target audience, we encourage the FASAB to consider investors, and those who facilitate investment decisions, as a separate user group rather than including them with the citizen intermediaries (paragraph 15). Investors have unique information needs as their decision focus is on their money and investments. The information interests of investors are inherently different from citizen's interest in the quality of government based on a democratic process. Investors and their facilitators need information to evaluate the prospects for future interest rates for U.S. obligations and the effects of federal activities on the rest of the financial markets. Although most investors have access to economic and other, more detailed, information, they are external users who need unique information about the overall government finances that brings together accrual, budgetary, and cash information.

Again, the FMSB appreciates the opportunity to provide comments on this ED. Should you have any questions, or desire further details on FMSB's position, please contact me at (216) 228-4453 or [james.williams17@ey.com](mailto:james.williams17@ey.com), or Rhoda Icerman, the FMSB facilitator for this project, at (850) 644-7874, or [ricerma@cob.fsu.edu](mailto:ricerma@cob.fsu.edu).

Sincerely,



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