



February 22, 2006

Wendy Comes, Executive Director  
Federal Accounting Standards Advisory Board  
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*Advancing  
Government  
Accountability*

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Dear Ms. Comes:

The Association of Government Accountants (AGA) Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments on the FASAB's exposure draft of a proposed Statement of Federal Financial Accounting Standards, entitled, "Consolidated Financial Report of the United States Government Requirements: Implementing Statement of Federal Financial Accounting Concepts 4, *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government.*"

The FMSB, comprising 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. Local AGA chapters and individual members are also encouraged to comment separately.

We agree with the proposed ED and are very much in favor of the Consolidated Financial Report (CFR) and all Federal reports being "more accessible" (we take that as meaning more understandable and easy to read) to the public. We believe that a "more condensed level" of reporting at the CFR level enhances the readability and use of that report.

We would like to understand the impact of the proposed changes on the CFR. Using the companion concept of understandability, several questions arise, such as: Do the proposed changes improve the ability of the "public" to better understand the operations of the federal government? If the length of the CFR is not materially reduced by the proposed changes and the understandability does not change, then the proposed changes do not fulfill the objective. Perhaps FASAB has looked at those issues and determined that the proposed changes fulfill the objective. The alternative view comments do, however, leave the issue open to further discussion. The FMSB has the following comments on the specific questions listed in the section on page 6 of the ED, entitled, "Request for Comments."

**1. Do you agree with the disclosure requirements for the Financial Report of the United States Government?**

We suggest that even in cases where no CFR disclosure is required, the CFR should identify that certain information is included in agency reports and should provide a reference to the appropriate agency reports. If something is important enough to be disclosed in agency reports, it should at least be acknowledged in the CFR and referenced to the agency reports (Paragraph 8 treatment not Paragraph 7 treatment).



**2. One Board member expresses an alternative view beginning at page 17. Do you agree with his view that differences in reporting requirements between the CFR and component entity reports should be limited to unique or unusual reporting issues present in the federal reporting environment, recognizing that based on materiality, disclosure may be aggregated and in less detail in the CFR?**

We think the alternative view has some merit, particularly the assertion that the proposed amendments do not "significantly affect" the length of the CFR. The alternative view point about requiring users to search for individual reports is also valid but can partially be mitigated if the CFR includes web site information of where the individual reports are available. We also agreed with the suggestion for a summary annual report. We think, however, that would likely take several years to develop. Overall, we think that the benefits and advantages of consistently reporting (and "disclosing") at a more condensed level outweigh the benefits expressed in that alternative view.

**Other Comments**

**Text of Amendment to Existing Standards**

The ED seems to use four different forms for the "Text of Amendment to Existing Standards."

Paragraphs 7 and 8 have "The U.S. government-wide financial statements need not include this disclosure." Paragraphs 9a and 14b have "The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements." (These go on to cite the new standard which can be included with the statement noted above.) Paragraphs 9c and 11c states "The U.S. government-wide financial statements need not ... and then the original standard is repeated." Paragraph 9d has "The U.S. Government-wide financial statements are not subject to the disclosure requirements for..." Paragraph 10a states "The U.S. government-wide financial statements need not follow the required disclosures described below."

We recommend these be rewritten to be consistent, if possible.

**Appendix B**

Although the substance of Appendix B is excellent, it is difficult to follow. We recommend the following changes to make it more useful:

- Repeat the heading on all pages.
- List the items in Appendix B in the same sequence as the text, rather than, as now, sequenced paragraph 7, 8, 14, 9, etc.
- In the references for the "Text of Amendment to Existing Standards", list the paragraph and sub-paragraph reference for each entry in the Appendix.
- Finally, make the horizontal lines between sections consistent.

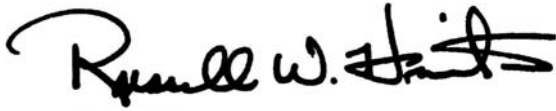
**Minor Editorial Comments**

On Page 16, a return should be inserted between 37 and 38.

On page 16, also, the first sentence of 39 seems awkward. We recommend inserting the word "on" between 'l' and 'significant' (or enclosing "significant accounting policies disclosures" with commas).

The FMSB appreciates the opportunity to comment on the exposure drafts. No members objected to its issuance. This response letter represents a consensus of the views of the FMSB members. We would be pleased to discuss this letter with you at your convenience. You can contact me at [hintonrw@audits.state.ga.us](mailto:hintonrw@audits.state.ga.us) or (404) 656-2174 or Anna D. Gowans Miller, CPA, AGA's Technical Manager and facilitator for this project, at [amiller@agacgfm.org](mailto:amiller@agacgfm.org) or (703) 684-6931, ext. 313.

Sincerely,

A handwritten signature in black ink that reads "Russell W. Hinton". The signature is written in a cursive style with a large initial "R" and a stylized "H".

Russell W. Hinton, CGFM, Chair,  
AGA Financial Management Standards Board

cc. Sam M. McCall, MPA, CGFM, CPA, CIA, CGAP  
AGA National President

**Association of Government Accountants  
Financial Management Standards Board**

**July 2005 – June 2006**

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